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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Weekend July 11/July 12 1992 — EUROPE'S BUSINESS NEWSPAPER — D 8523A

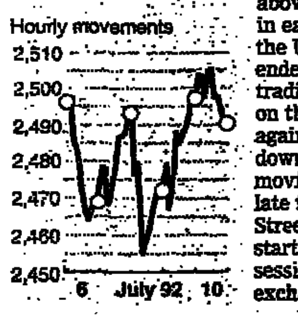
Italian austerity budget will overhaul pensions

Italy's new cabinet was last night completing an emergency austerity budget which will include long-awaited changes in the country's generous pensions system, cuts in public spending, higher wealth taxes and a freeze on public sector employment. Page 24

Pan Am guilty in Lockerbie case: A New York jury found Pan American World Airways guilty of "wilful misconduct" for lax security in its baggage handling system before the 1988 bombing of an airliner over Lockerbie, Scotland, that killed 270. The case was brought by relatives of the victims of Pan Am Flight 103.

Poland's first woman PM: Hanna Suchocka became Poland's first woman prime minister, *replacing Waldemar Pawlak, who resigned after* failing to form a government. Page 2

London equities on downward path



The FT-SE index moved above 2,500 briefly in early trading, but the UK stock market ended the two-week trading account firmly on the downward path again. The index closed down 7.1 at 2,490.8, moving uneasily in late trading as Wall Street made a slow start to the new trading session. London stock exchange, Page 15

US inflation eases: US producer prices rose by a modest 0.2 per cent last month, providing further evidence of reduced inflation pressures, the Labor Department reported. Page 2

Shake-up at UK newspapers: A search for a new editor of The Times has triggered an unprecedented shake-up at the top of three leading British newspapers. New editors will take over at the Daily Mail, London's Evening Standard and The Mail on Sunday – all owned by Associated Newspapers – and Simon Jenkins, editor of The Times, said he would step down. Page 24

Steel's decline to ease: World production and consumption of steel will fall in 1992 for the third year running, but there will be a second-half recovery in some economies, the Organisation for Economic Co-operation and Development predicted. Page 2

Donation to Maxwell pensioners: Watson's, actuarial consultancy firm that advised Maxwell Communication Corporation Pension Scheme, has given £50,000 to aid Maxwell pensioners. It is the first London financial firm to make a donation. Page 6

High hopes for EFA: Defence secretary Malcolm Rifkind will meet his Italian and Spanish counterparts on Tuesday to discuss the future of the £20bn European fighter aircraft project. All three believe it can be saved. Page 6

Air France move likely: The European Commission is expected to allow Banque Nationale de Paris to take an 8.8 per cent stake in state-owned airline Air France, despite EC competition commissioner Sir Leon Brittan's misgivings about the thoroughness of inquiries into the deal. Page 2

Soccer stadium rules eased: The UK's second and third division soccer clubs will not have to provide all-seater stadiums, national heritage secretary David Mellor said. Premier league and first division clubs must have them by 1994, as recommended by Lord Justice Taylor's report after the 1989 Hillsborough disaster. Page 7

Deal could challenge BT: *Cable* and Wireless, UK telecommunications group, is selling a stake in its Mercury Communications subsidiary to North American telephone company US West for an undisclosed cash sum and a stake in TeleWest, US West's cable television joint venture in the UK. *The alliance could challenge* the UK dominance of British Telecommunications. Page 10

Deutsche Bank takes stake in insurer: Deutsche Bank, Germany's largest bank, has taken a 30 per cent stake in Gerling, Germany's largest privately-owned insurance group, for an undisclosed sum. Gerling is expected to generate gross premiums of around DM11bn ($7.2bn) in the current year. Page 12

■ STOCK MARKET INDICES		
FT-SE 100:	2,490.8	(-7.1)
Yield	4.88	
FT-SE Eurotrack 100	1,128.14	(+0.97)
FT-A All-Share	1,195.16	(-0.3%)
Nikkei	16,783.72	(-64.94)
New York: lunchtime		
Dow Jones Ind Ave	3,325.15	+1.08
S&P Composite	414.51	+0.28
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.271%	
Long Bond	104⅜	
Yield	7.616%	
■ LONDON MONEY		
3-mo Interbank	10¼%	(same)
Liffe long gilt future:	Sep 99⅞	(Sep 99½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$21.175	(19.975)
■ Gold		
New York Comex (July)	$348.7	(348.7)
London	$348.45	(347.65)

■ STERLING		
New York lunchtime:		
$	1.922	
London:		
$	1.9215	(1.8955)
DM	2.8725	(2.88)
FFr	9.7	(9.715)
SFr	2.605	(same)
Y	241	(238.25)
£ Index	92.8	(92.6)
■ DOLLAR		
New York lunchtime:		
DM	1.495	
FFr	5.0425	
SFr	1.3545	
Y	125.35	
London:		
DM	1.4955	(1.519)
FFr	5.0475	(5.1225)
SFr	1.356	(1.374)
Y	125.4	(125.65)
$ Index	66.5	(60.7)
Tokyo close Y 125.75		

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Lamont backs present ERM policy

By Peter Norman, Economics Correspondent

MR NORMAN LAMONT, the chancellor, *insisted* yesterday that a devaluation of sterling would not achieve lower interest rates.

The only way to low inflation, healthy growth, more jobs and higher living *standards* was to maintain the pound's membership of the European exchange rate mechanism at the present central rate of DM2.95.

"There is no alternative," Mr Lamont said, borrowing an old slogan from the recently ennobled Baroness Thatcher.

Although his speech was directed at jittery foreign exchange markets and nervous Tory backbenchers, it was also a response to reports that the former prime minister had warned of a "financial accident" in the event of unchanged policies.

Mr Lamont said yesterday's news that the inflation rate had fallen to an annual 3.9 per cent in *June represented* a "significant breakthrough". For the first time since 1986, UK inflation was lower than the European Community average.

But beating the average "should not be good enough", he told the European Policy Forum in London. Other countries were also cutting inflation and two-*thirds of UK exports went to* countries with inflation rates lower than Britain's. The UK must aim for permanently low inflation, he said.

Although Mr Lamont is sceptical about plans for European economic and monetary union, his speech was a forceful rejection of any other option for the UK than *the existing monetary policy* based on the ERM.

It was a robust response to Tory concerns, like those attributed to Lady Thatcher, that high interest rates are choking recovery. After a week in which sterling fell through its theoretical lower limit in the narrow band of the EMS grid, he repeated that the government would in due course move the pound into the narrow bands at its current parity.

Mr Lamont said there was no painless, cost-free route to higher growth with low inflation. He proceeded to reject the arguments in favour of other options.

- Cutting interest rates immedi*ately by two or three percentage* points in the ERM was not a serious option, he said. France had tried to cut interest rates to below German levels last November but had to reverse the move quickly in spite of having a stable parity for five years. Britain's membership of the wide EMS bands gave it no extra leeway.
- An upwards realignment of the D-Mark was "simply not on the agenda". No other European country was prepared to sacrifice hard-won credibility by allowing its currency to be devalued against the D-Mark.
- A devaluation of sterling in the ERM would put interest rates up as financial markets would *demand a risk premium for the* pound.
- Leaving the ERM and cutting interest rates would persuade markets that Britain had given

Continued on Page 24
Extracts of speech, Page 6
Editorial Comment, Page 8
Lex, Page 24

Deep concern in the Bundesbank at the rapid increase in money supply is almost certain to prompt some tightening of German monetary policy.

The debate centres on a possible increase in the discount rate or a limitation of the *amount* banks can borrow from the Bundesbank against collateral at the Lombard rate.

Report, Page 24

Crisis blamed on Commissioners' property speculation before market plunged

Almost £500m wiped off CofE property investments

By John Plender

NEARLY £500m has been wiped off the value of the Church of England's property investments *after heavy borrowing to fund* speculative developments in Britain and the US just before the market plunged.

The financial debacle which has hit the Church's income was *the result of a decision by the* Church Commissioners to expand their property assets before the market crashed in 1990.

This has emerged from a detailed investigation by the Financial Times into the finances of the Commissioners, who manage £2.7bn in investments to help pay for the salaries and pensions of the 11,300 Anglican clergy and a similar number of pensioners.

A majority of the borrowings, which reached nearly £520m at their peak in 1990, were provided by National Westminster Bank on an unsecured basis. These were used for speculative property developments in offices, shopping centres and warehouses many of which have exceeded their budgeted cost or failed to find enough tenants.

After this disastrous expansion, the Church Commissioners' income is expected to be flat for some years. To meet pay and pension costs that will rise at more than £5m a year, the Church is appealing to parishioners in Britain to bridge the gap.

Dr George Carey, Archbishop of Canterbury and chairman of the Church Commissioners

In their annual report last month the Church Commissioners, whose chairman is Dr George Carey, the Archbishop of Canterbury, blamed their investment problems on the recession.

The Commissioners' affairs are managed by a board of governors which includes several bishops, Mr Michael Allison, the Tory MP, and other prominent lay members including a leading actuary and a former chief executive of the M&G unit trust group.

Its asset committee, which dictates investment policy, has recently been strengthened by the appointment of Sir Christopher Wates of Wates City of London Properties.

The manager in charge of property at the Church Commissioners until last year was Mr *Michael Hutchings.*

Described as a flamboyant character by former colleagues, he refused to travel by air and took the QE2 to visit the Church's US investments.

*News of the Church Commis*sioners' financial crisis comes after a recent High Court case in which the Bishop of Oxford challenged their investment policies. He called for greater emphasis to *be placed on ethical consider*ations. The Court found in favour of the Commissioners, concluding that their existing ethical approach, which precludes investment in such industries as tobacco and armaments, reflected a proper exercise of the Commissioners' powers.

In an interview Sir Douglas Lovelock, the First Church Estates Commissioner, defended the decision to borrow for speculative development.

Without borrowing, he said, the Commissioners could not have afforded to buy such successful investments as the Metro Centre in Gateshead, the largest shopping centre in Europe,now valued at more than £200m.

But he acknowledged that other developments had been less successful. The Commissioners had too much property for historical reasons and were reducing it, he added.

A spokeswoman for Chesterton, which acted as estates consultant to the Commissioners and *introduced property develop*ments to them, said yesterday that the firm was not in a position to comment.

Chesterton also valued the properties to see how the invest*ment had performed. Asked if* valuations should not have been provided by a separate firm of surveyors Sir Douglas said: "We've always done it this way." But added: "We don't just accept *it at face value."*

Since the beginning of 1990 the Church Commissioners have sold investment properties with a book value of more than £350m in an attempt to reduce their exposure to property. But their remaining property holdings of £1.4bn still account for 56 per cent of the portfolio, compared with 7 to 8 per cent for the average pension fund.

The Metro Centre in Gateshead accounts for more than a fifth of their UK commercial properties, which are valued at over £900m.

Last year the Church Commissioners reduced their borrowings to £383m. A further £171m falls due for payment this year.

Unholy saga, Weekend Page I

Sir Douglas Lovelock, First Church Estates Commissioner, who yesterday defended the decision to borrow money to fund speculative property developments

West to send air-sea force on Serbian sanctions patrol

By Robert Mauthner and Judy Dempsey in Helsinki

WESTERN European states yesterday agreed to mount an air and sea operation in the Adriatic to enforce United Nations sanctions against Serbia.

At least five to six ships, four maritime protection aircraft and several ground-based helicopters will be involved in the naval operations, to be undertaken by the nine-nation Western European Union defence force in *co-operation with Nato. Britain is* sending a frigate, HMS Avenger, as part of the joint force.

The move coincided with the adoption by the 51-member Conference on Security and Co-opera*tion in Europe* of a wide-ranging European security framework, at the end of its two-day summit in Helsinki. This will give the CSCE a new peacekeeping role to tackle growing ethnic and national con*flicts in post*-Cold war Europe.

The naval surveillance operation was decided at a special meeting of WEU foreign ministers to demonstrate that Europe was not standing aside from the Yugoslav *crisis, as* critics have claimed.

The WEU, designated by the European Community as the organisation embodying Europe's new defence identity, undertook joint naval operations to protect shipping during the Iran-Iraq and Gulf wars. But this is the first time it has agreed to act jointly in a European crisis.

The WEU has also decided to examine what it can do to help the humanitarian aid operation for the people of Sarajevo and other stricken regions of Bosnia.

A group of experts will explore the feasibility of organising *transport through land corridors* from the Adriatic coast to Sarajevo, where more than 300,000 people have been cut off for three months by fighting between Serbs, Moslems and Croats.

Departing from the UK government's cautious attitude towards military involvement in the crisis, Mr John Major, the prime minister, said that if the feasibility of a land corridor was established, Britain would consider providing air cover for ground transport.

He again ruled out British ground forces taking part in any relief operations in Bosnia. Mr *Major also stressed* that a new UN Security Council resolution would be required to authorise a land relief operation.

Sanctions-monitoring operations, which will be co-ordinated by the Italians, will take place in international waters in the straits of Otranto and on other points off the Yugoslav coast, including the coast of Montenegro. But the WEU vessels will not have the authority to stop or board ships suspected of breaking the UN sanctions. A further Security Council resolution would be needed for that.

President George Bush yester*day denied reports* that the US was stepping up naval deployments in the Adriatic.

The WEU arrangements were agreed outside the CSCE framework, leading to criticisms that the organisation had again proved to be a "paper tiger".

However, the new blueprint for European security in a post-communist world is intended to change that. This will include provision for peacekeeping operations to be carried out at the request of the CSCE by organisations such as Nato and the WEU, and enhanced conflict prevention and conciliation *machinery.*

Helsinki reports, Page 3

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Austria Sch30; Bahrain Din1.000; Bermuda $1.65; Belgium BFr60; China FEC 12; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.00; Finland Fmk10; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16; Hungary Ft162; Iceland IKr180; India Rup20; Indonesia Rp3,600; Israel NS5.50; Italy L2500; Japan Y600; Jordan JD1.20; Korea Won 2500; Kuwait Fils.500; Lebanon US$1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0 50; Morocco Dh11 00; Nigeria Naira20.00; Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.20; Pakistan Rs35; Philippines Peo 45; Poland Zl 18000; Portugal Esc190; Qatar QR10 00; S.Arabia Rls8.00; Singapore S$4 10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3 00; Taiwan NT385; Thailand Bht50; Tunisia Din1.000; Turkey L6000; UAE Dh9 00; USA $1.25. (Alaska & Hawaii $1.75)

Permission for bank's 8.8% stake likely to upset London

EC to allow Air France aid

By Andrew Hill in Brussels

THE European Commission is set to give Banque Nationale de Paris (BNP) permission to buy an 8.8 per cent stake in Air France, the state-owned airline, in spite of the misgivings of Sir Leon Brittan, the EC competition commissioner.

Commissioners are almost certain to approve the investment, which will cost the state-owned bank FFr1.25bn (£128m), on Wednesday. But Sir Leon is understood to be concerned that his Belgian colleague, Mr Karel Van Miert, the transport commissioner, did not go into enough depth in his inquiry into the deal.

Sir Leon was narrowly defeated in the commission last November when he opposed Mr Van Miert's decision to wave through the French government's FFr2bn capital injection for Air France. Mr Van Miert decided in both cases that the capital injection did not amount to state aid and that a private investor would have acted in the same way as the government and BNP, in spite of the continuing losses of the airline.

The latest decision could increase tension between London and Brussels over state subsidies to French companies. Last week, Mr Michael Heseltine, president of the British Overseas Trade Board, attacked the commission's decision to approve FFr6bn of government subsidies to Bull, the loss-making French computer company, claiming that the decision would distort competition in the sector.

Sir Leon was responsible for the Bull recommendation, but allegations of illegal state aid for airlines are always examined by Mr Van Miert – often to the irritation of Brussels competition authorities.

British Airways, the privately-owned national airline which is staunchly opposed to state subsidies in the sector, is also likely to criticise the Air France deal if it is given Commission approval.

For its FFr1.25bn, BNP is to receive bonds which can be converted into shares in Air France at any time in the next eight years. The bonds pay a fixed 6.5 per cent interest rate. Plans to raise a further FFr2.59bn via a complex issue of subordinated floating rate notes have not been examined by the commission.

The commission still has to investigate another Air France deal: the airline's BFr6bn (£100m) purchase of a 37.5 per cent stake in Sabena, the Belgian national carrier. Sir Leon will be responsible for that inquiry because the agreement falls under normal EC competition rules and not the state aid code.

Clinton lays out Gore's agenda

By George Graham in Washington

SENATOR Albert Gore will lead a future Democratic administration's efforts to break the logjam in Washington by enacting a legislative programme within 100 days of taking office as vice-president, Governor Bill Clinton of Arkansas said yesterday.

Mr Clinton said that if he was elected president, Mr Gore, whom he chose this week to be his vice-presidential running mate, would take the lead in passing laws designed to restore US competitiveness, contain health care costs and improve national education standards.

"I don't want Al Gore to be the kind of vice-president that sits in the US Senate waiting to vote to break a tie. I want him to break the logjam in Washington," said Mr Clinton, who is due to be anointed as the Democratic presidential candidate at next week's party convention in New York.

Under the US constitution, vice-presidents preside over the Senate, but they do not vote unless the 100 senators are evenly divided.

Mr Clinton acknowledged that the Democrats, who control both houses of Congress, shared part of the blame for the Washington logjam.

"There are people in our party who have contributed to the paralysis out there, but I don't think you can lay that at Al Gore's feet," he said.

Mr Clinton's supporters are hoping that the selection of Mr Gore to be the Democrats' vice-presidential candidate will boost their campaign on the eve of the convention, which itself can usually be relied on to provide a further lift.

Mr Clinton and the Democrats should have the limelight to themselves next week, as President George Bush is going fishing, and Mr Ross Perot, the Texan billionaire who is expected to run as an independent candidate, seems likely to adopt a similarly low profile.

Although some recent opinion polls show Mr Clinton recovering from his shaky start this spring, three polls released this week still placed him third. Mr Bush led in two and Mr Perot in the third. The results of all three polls, however, were so close as to suggest a statistical dead heat. In addition, the opinions of those questioned were only weakly held, so these polling results provide virtually no guide to what might happen in the November 3 election.

RUNNING MATES: Bill Clinton and Al Gore go jogging yesterday

Italians to lose 'golden' pensions

By Robert Graham in Rome

ITALIAN pensioners have long been the most privileged in Europe. Yesterday's reforms approved by the new Amato government are a belated attempt to reduce the state's generosity and bring Italy more into line with European Community practice.

The main innovations are the raising of the pensionable age to 65 years for both men and women, an increase in the minimum contribution period from 15 to 20 years, and equalisation of state and private schemes.

There have been three previous proposals for reform since 1984. All suggested changes similar to those announced yesterday but foundered because no party was prepared to court unpopularity by reducing benefits. The latest proposals, to be presented to parliament as a decree, stand a better chance of acceptance simply because the budget can no longer afford the existing system.

Pensions for 14.2m people account for more than 80 per cent of social spending and are equivalent to 14 per cent of gross domestic product. If the system were to continue, pensions would absorb the entire budget in under 20 years. Alternatively, it would require something close to a 50 per cent contribution from salaries to balance contributions and payments within 30 years.

Until now, women have been able to retire at 55 and men at 60. The reforms envisage a range of incentives for people to stay at work until 65 and disincentives to discourage early retirement. Some workers in arduous jobs such as mining will be excepted, and allowed to retire five years early.

There is also an attempt to tidy up abuses of early retirement in the state sector, where men have been able to retire after only 20 years' work, as opposed to 35 years in the private sector. A recent study showed 67 per cent of all state employees retired early. The authorities are also committed to examine claims for early retirement on health grounds with greater rigour. No fewer than 4.2m, one third of all pensioners, receive disability pensions, many of which have been granted as political favours or through payments to compliant health officials.

The government also intends to stimulate the growth of the undeveloped pension fund business. This is seen as the most effective way both of expanding Italy's capital markets and of ending the anomaly whereby state employees have no pension fund – their pensions have been covered out of current annual budget expenditure. At present a state employee can receive up to 94 per cent of final salary. There is now likely to be a ceiling of 80 per cent.

Many state employees have abused the pension scheme and taken advantage of early retirement to take up other jobs because they have been poorly paid by the public administration.

Mexican poll under fire

By Damian Fraser in Mexico City

AS MEXICO prepares for its most important state elections of the year, seven groups of observers have jointly concluded that the "necessary conditions" do not exist "for the celebration of clean elections", while the leftist opposition appears to be preparing massive protests in anticipation of fraud.

The states of Michoacan and Chihuahua will vote for new governors tomorrow in elections that are widely seen as tests of popularity of the opposition in its former strongholds, and of the ruling Institutional Revolutionary party's (PRI) commitment to a more open democratic system.

The centre-left Party of Democratic Revolution is already planning to demonstrate in Michoacan against what it sees as the inevitable fraud. The army is ready to move in, and a tense and violent post-electoral period is expected.

The protests will coincide with President Carlos Salinas's July 15 summit with US President George Bush in San Diego and, if they last, with President's Salinas visit to the UK, Spain, France and Hungary later in the month. They will add to a growing list of worries afflicting the president, including recent sharp drops in the stock market, and delays in wrapping up negotiations for the North American Free Trade Agreement (Nafta).

The election observers concluded that the "apparent unlimited use of government resources, favouritism of electoral authorities and virtual monopoly in the media, among other factors, create a scene propitious for manipulating the popular will in favour of one party, and permit the federal government to decide in the political terrain the result of the polls."

The observer groups have offered no evidence for many of their allegations, such as rigging of the electoral roll. But no-one questions the huge disparity in resources between the PRI and opposition.

The leftist PRD is expected to lose in Michoacan, which would be a considerable setback and make it difficult, if not impossible, to mount an effective challenge in the 1994 elections.

In the border, and more urban, state of Chihuahua, the centre-right PAN is running neck-and-neck with the PRI in the polls. If it were to win, it would be only the second time that the PRI has lost a gubernatorial election, the first being in 1989 when the PAN won in another border state, Baja California. The PAN was also handed a governorship in Guanajuato last year after charges of fraud undermined the PRI's victory.

The electoral situation is much less tense in Chihuahua, as the PRI and the PAN have signed a series of pre-electoral accords designed to promote a peaceful process. In Michoacan, by contrast, the PRI has used all means to crush Mr Cárdenas's party.

● Mexico's consumer prices increased by 0.7 per cent in June, the lowest inflation rate for the month in 20 years.

More spending cuts on way, Irish warned

By Tim Coone in Dublin

MR Bertie Ahern, the Irish finance minister, warned yesterday that further cuts in government expenditure were likely to be implemented this year to keep borrowing projections on target.

Speaking to the Dail (parliament) in its last session before the summer recess, he said: "While the recent half-yearly Exchequer returns show a somewhat better picture than in mid-1991, it is clear that adherence to this year's budgetary parameters will require some corrective action. Accordingly I have initiated a review of all areas of public expenditure to see where expenditure can be pared back. I intend to ensure that there is no significant slippage from our budgetary targets this year."

The government is aiming at a ceiling on the Exchequer Borrowing Requirement of I£600m (£552m), or 2.5 per cent of gross national product for 1992.

Mr Ahern said the cost of pay awards in the public sector "continues to be an area of concern." He said future wage negotiations would emphasise improved efficiency "to offset any increases in pay" and "more weight is to be given to 'ability to pay' and budgetary considerations." Deferred pay awards are expected to bring government finances under increased pressure in 1993 and 1994.

Poland names premier

By Christopher Bobinski in Warsaw and Anthony Robinson in London

POLAND'S five-week government crisis ended yesterday as parliament approved Ms Hanna Suchocka, a 46-year-old lawyer, as prime minister of a seven-party coalition government.

Ms Suchocka, who is from the pro-free enterprise Democratic Union (UD) party, won a 233-vote majority in the 460-seat lower house (the Sejm).

The coalition which sustains the government is made up of parties which share a common past in the anti-communist Solidarity movement, which fractured after the collapse of communist power in 1989. At its heart is an alliance between the UD, the largest of the ex-Solidarity parties, the pro-free market Liberal Democratic Congress, the right-wing catholic nationalist (ZChN) party and Solidarity farmers' groups.

The new government will be opposed by the former Communist party with 60 seats and the right-wing populist Confederation for an Independent Poland with 49 seats. But President Lech Walesa has given his assent to the new government, which can also count on the votes or benevolent neutrality of several of the smaller parties in the fractured parliament of 29 parties which emerged from last October's general elections.

Ms Suchocka, Poland's first female prime minister, told parliament her government's priorities would be to overcome the crisis in public finances, speed privatisation, raise efficiency in the state sector of the economy and modernise the farming sector.

She also presented her coalition cabinet, which parliament is expected to vote on today after the candidates have been vetted by parliamentary committees.

The list includes Mr Jan Krzysztof Bielecki, the former premier, who will be responsible for European Community relations and other former ministers such as Mr Janusz Lewandowski, who returns to the privatisation portfolio, and Mr Jerzy Osiatynski, who will be finance minister.

The former government headed by Mr Jan Olszewski foundered on June 5 after weeks of increasingly bitter political squabbles.

OECD urges Belgium to cut benefits system

By Andrew Hill in Brussels

BELGIUM should consider cutting back its generous unemployment benefits, according to the Organisation for Economic Co-operation and Development.

The OECD's 1992 report on the Belgian economy, published yesterday, says that it is essential that Belgium clean up its labour market if it wants to reduce its large budget deficit.

Belgium is straining to get its deficit – which stood at 6.3 per cent of GDP last year – down towards the European Community target of 3 per cent by 1996, as part of the push towards European economic and monetary union.

The four-month-old centre-left coalition has already passed a stringent emergency budget for 1992, including much-criticised initial measures to rein in the social security system.

The government is likely to produce a draft budget for 1993 towards the end of this month.

The OECD says that further cuts will certainly be needed and adds that "the sooner these measures are taken, the less draconian they will have to be".

● The OECD also criticises the Luxembourg government for continuing to support its manufacturing companies through state aids. It says the policy is one reason for the continued deterioration of the Grand Duchy's public finances, the largest black spot on an otherwise reasonably healthy European economy.

Rebel capitalises on E German discontent

Leslie Colitt on the ousted CDU chief now heading a bipartisan movement to be launched today

MR Peter-Michael Diestel has become an east German folk hero since Chancellor Helmut Kohl's Christian Democratic party (CDU) ousted him as head of the CDU in Brandenburg state.

The enigmatic east German politician was catapulted into the vanguard of the still-unnamed east German bipartisan movement, to be launched today, which seeks to tap the widespread discontent in the economically battered region.

According to the movement's co-initiator, Mr Gregor Gysi, head of the PDS, the former Communist party, grass-roots committees are to be formed in an attempt to alleviate mass unemployment, de-industrialisation, the destruction of agriculture and the "humiliation" of east Germans.

Politicians of the mainstream parties, particularly the CDU, whose popularity has plummeted among easterners, attacked the new movement for allegedly turning east Germans against west Germans. Mr Diestel claimed it could become the nucleus of a political party.

The 40-year-old Mr Diestel was long a thorn in the flesh of the CDU leadership in Bonn for criticising the colonial-style "subjugation" of east Germany. But the surge in his popularity was nonetheless remarkable, as he was ousted for an interview in which he defended ex-informers of the Stasi state security police against "one-sided" accusations.

While Mr Diestel was criticised for his Stasi remarks by the Social Democrats (SPD) in Brandenburg, who are coalition partners of the CDU, his expulsion was denounced by Mr Manfred Stolpe, the SPD prime minister of the state, as being typical of west German high-handedness.

Nearly three-quarters of east German production workers have lost their jobs since 1990 or are on short-time work. The majority languish in retraining or job creation programmes which offer them little future. Psychologically, says Mr Heiner Winkler, an east Berlin journalist, "they are worse off than before".

Under the Communists, labour was scarce and workers openly complained about their lot without fear of dismissal. "Now they keep their mouths shut, as everyone is afraid of being sacked," he says. An entire generation of east Germans above the age of 45 – skilled workers, engineers, academics and officials – has been relegated to the scrap heap. Yet east Germans are reluctant to take to the streets to express their discontent and instead sink deeper into resignation.

East German members of the Bundestag previously tried to form bipartisan alliances to press for the interests of their constituents but failed in the face of strong opposition from the west German-controlled parties, which saw a danger in obscuring party lines.

Mr Diestel's alliance with his fellow lawyer, Mr Gysi, has alarmed both conservatives and social democrats, who have sought to isolate the PDS. Mr Gysi is a brilliant speaker and tactician and in local elections last May the PDS scored a stunning upset by becoming the strongest party in east Berlin's borough legislatures.

But Mr Diestel's erratic behaviour during his rapid rise to prominence in post-Communist east Germany gave him a reputation for inscrutability. As interior minister of the last, freely-elected East German government, he antagonised Bonn officials by employing former senior Stasi officers as advisers. He also argued against opening the Stasi files to the public, predicting that it would lead to acts of violence within families and between neighbours.

But it was Mr Diestel's purchase of a big villa belonging to the Interior Ministry which raised questions about his integrity. He bought the lakeside villa for DM193,000 (£66,500) in July 1990 when it was estimated to be worth nearly DM1m. The German government is demanding that he return the house, which it claims he bought without the approval of the east German parliament and, in effect, sold to himself.

Mr Diestel, an avid body-builder, responded to the charges by insisting that he would fight the case to the highest court. Seeking to portray himself as yet another victimised east German, he added that he was in the "best company" of citizens who also faced eviction from their homes by former west German owners.

If Mr Diestel succeeds in his attempt to set up an east German coalition movement, a number of east Germans such as Mr Wolfgang Thierse, the astute deputy chairman of the SPD, believe it would backfire by deepening the mistrust between east and west Germans.

"East German problems will either be solved in an all-German way or not at all," he cautioned recently. Mr Thierse instead advocated introduction of a minority veto on important legislation affecting the east German states in the Bundesrat, the upper house of parliament.

On one thing, however, all East German politicians are agreed. Unless the voice of east Germans is heard more loudly in Bonn, the danger will grow of the extreme right wing profiting from their frustrations in future elections.

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West struggles to resist pull of Bosnian vortex

Robert Mauthner describes the big powers' dilemma

THE western powers are reluctant to intervene militarily in Bosnia – but the decisions taken in the margin of the 51-nation security conference summit in Helsinki give exactly the opposite impression.

How, it will be asked, can governments claim that they oppose military intervention while, in the next breath they decide to send warships and helicopters to patrol the Adriatic coast. How can you oppose intervention while promising "air cover" for land relief convoys to Sarajevo, if those are found to be necessary and feasible, as Mr John Major, the British prime minister did yesterday?

And what, if not the use of military means, was President George Bush talking about when he said he strongly supported action to ensure that United Nations sanctions against Serbia were respected and relief supplies reached Sarajevo, "no matter what it takes?"

The answer is that diplomats and political leaders talk a different language from the man-in-the-street. The former distinguish between "military intervention" in a conflict with the aim of imposing a specific political solution, and non-belligerent action, be it by military personnel and with the use of military equipment, in support of an internationally-sanctioned embargo or humanitarian relief operation.

So far, all the operations, including those decided yesterday by the Western European Union to help enforce UN sanctions against Serbia, are taking place under the umbrella of existing UN Security Council resolutions. Moreover, all the nations involved or likely to become involved in the Bosnian crisis, have made it clear that a new UN resolution would be required if it were decided that land convoys, with air or troop cover, were needed to ensure the transport of aid to Sarajevo and other parts of Bosnia-Hercegovina.

"Any operation concerning the establishment of humanitarian corridors would have to be subject to further decisions by the Security Council and be co-ordinated with the UN, in particular, for the aspects concerning protection," the WEU ministers stipulated.

Ground forces are almost certainly needed to provide adequate protection. Yet among all the confusing statements on the subject of military intervention, one thing has been made perfectly clear: most of the major powers are reluctant to provide ground forces for an operation which would risk dragging them progressively into a prolonged conflict, with unforeseen political consequences.

Both Mr Bush and Mr Major have repeatedly ruled out sending ground troops even to protect land convoys, while even President François Mitterrand of France, who was generally considered to be more open to sending ground troops to Bosnia and has already agreed to contribute 700 military personnel to the UN contingent in Sarajevo, also expressed serious reservations yesterday.

"France carries out the decisions of the UN," Mr Mitterrand said. "But if someone were to ask us [to provide combat troops], we would say that we would prefer other solutions."

The big unanswered question is whether events on the ground will lead to an uncontrolled escalation of military action, regardless of the firm political positions adopted by the participants in humanitarian aid and embargo enforcement operations.

There have already been reports of troops of the Canadian UN force returning the fire of snipers. The more military forces there are in Bosnia, be it under the umbrella of the UN, the greater the risk of a recurrence of such incidents, possibly leading to much more serious clashes between local and foreign troops.

That is why the latest measures will have to go hand-in-hand with greatly increased efforts to find a negotiated solution to the ethnic and other problems provoked by the break-up of the Yugoslav federation – whether in the framework of the European Community's peace conference chaired by Lord Carrington or a wider UN-sponsored international conference.

As successive declarations on the Yugoslav crisis issued by various international forums have underlined, military measures taken by outsiders cannot solve the political problems which are at the heart of the conflict. Only a will for peace on the part of the warring factions and a genuine desire to replace shooting with talking can do that.

It is for that reason that the world's leaders have been so hesitant to take more extensive military steps and will remain extremely reluctant to do so in the future, in spite of their outrage at the bloodshed in Bosnia and the suffering of its people.

CSCE summit declaration blames Belgrade for violence in Bosnia

Serb leader gatecrashes summit

By Judy Dempsey in Helsinki

MR Milan Panic, prime minister designate of the rump Yugoslavia, yesterday made an unexpected visit to Helsinki to tell the world why Serbia deserved a hearing.

His loquacious press conference was punctuated by slogans insisting that he harboured no nationalist feelings, that Croats and Serbs really did like each other, and that he would "eliminate politicians" who stood in the way of peace.

It coincided with a unanimous declaration of the Conference on Security and Co-operation in Europe which placed the "prime responsibility" on Belgrade for the violence and ethnic cleansing in Bosnia-Hercegovina.

Mr Panic, whose US citizenship will not be withdrawn when he takes up his new job, had earlier met US secretary of State James Baker.

Mr Baker told Mr Panic that "acts and not words" were needed to resolve the crisis. "The message I gave to him was clear...the human nightmare in the former Yugoslavia must cease...and that Serbia and Montenegro must abide by the UN resolutions," Mr Baker said.

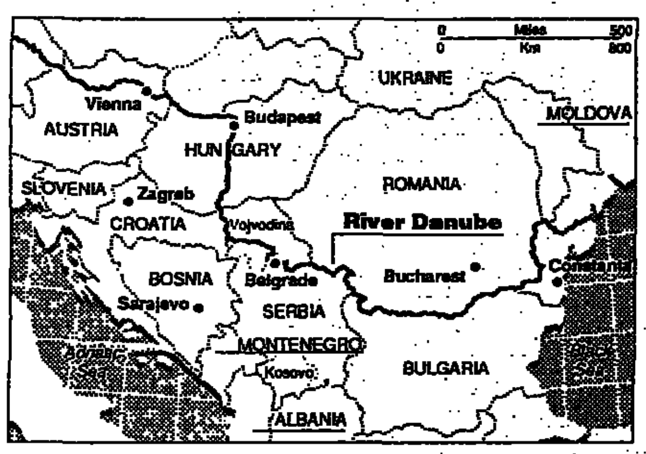

Milan Panic in Helsinki yesterday: offer to stop the killing

Mr Panic, a businessman specialising in pharmaceuticals, said he would stop the killing by withdrawing all heavy weapons from Bosnia, place them under UN control, and then sell other weapons to revive the Serbian economy.

But Bosnian president Alija Izetbegovic, who helped draw up the declaration on the Yugoslav crisis, said Belgrade continued to support Serb irregulars and Serbia's proxy army in their efforts to carve up Bosnia.

The destruction and killing in Bosnia-Hercegovina was finally, and publicly acknowledged in a Bosnian-inspired text simply called a Declaration on the Yugoslav crisis.

Russia had opposed the draft document, on the grounds that it was too one-sided, and that it wanted some of the text agreed by the G7 summit in Munich to be incorporated. Some other republics of the former Soviet Union wanted a CSCE declaration on Nagorno-Karabakh.



WEU armada 'aimed at the wrong target'

By Judy Dempsey in Helsinki

THE decision by the nine-member Western European Union (WEU) to send warships to the Adriatic to enforce sanctions against Serbia and Montenegro, is more a political than a military move, it was admitted yesterday.

Mr Relus Ter Beek, the Dutch defence minister, said sending forces to the Adriatic was "a political decision in the sense that we cannot enter the ships, we cannot force them to stop, we cannot control their cargoes. All we can do is monitor. It is a political gesture aimed at applying more pressure on [Serbian president Slobodan] Milosevic."

Attempts to enforce sanctions by patrolling the Adriatic would only be effective if it were followed up by other measures.

'I am not saying that Romania is sanctions busting. But Yugoslavia has a fleet of barges at a Romanian port'

"If the United Nations Security Council decides to really enforce the embargo against Serbia, then it seems to me that surveillance along the Danube is the first priority," said Mr Willem van Eekelen, WEU secretary general.

Diplomats at the CSCE summit said most of the sanctions-busting was taking place along the river Danube.

Both here and on the Adriatic, the UN had not set up any mechanism to monitor the flow of goods in or out of Serbia when it imposed sanctions against Belgrade on May 31.

"We simply have not got the manpower," the UN says.

British and Italian businessmen who have temporarily closed their offices in Belgrade, said sanctions busting was taking place in a number of areas. These include:

- The port of Bar in Montenegro. Goods were being shipped across the Adriatic to Bar and then transported by train or lorry to Serbia. "That port, like Belgrade, is packed with mafia gangs who are making money out of the sanctions and growing shortages in Belgrade," a British engineer said.
- The port of Constanta in Romania. Oil, and possibly even weapons, are getting through to Serbia via Romania. "I am not saying that Romania is sanctions busting. What I am saying is that Yugoslavia has a large fleet of barges – about a dozen. They dock at the Romanian port of Constanta," a western oil exporter said.

"No international body is patrolling the Danube. With backhanders, and zilch monitoring of invoices and end-users, goods can get through to Belgrade," he added.

The Yugoslav fleet has very close links with Genex, the giant Belgrade-based foreign trade company. Mr Milosevic has practically controlled Genex since his rise to power in 1987 when he started placing his supporters in the top echelons of the company.

"Genex knows what trade and business is all about. It knows how to avoid getting caught," said a British exporter.

- Arms sales. Western and eastern European diplomats said a UN and European Community arms embargo was being breached. According to a US diplomat, since Croatia's independence was recognised last January, "tons of weapons have gone into Croatia, by air, or maybe via Austria. The controls are far too lax. It would not surprise me if some of the republics of the former Soviet Union are shipping weapons to Serbia up through the Danube."
- Air space. General Ratko Mladic, the head of Serbia's proxy army in Bosnia, and Mr Radovan Karadzic, the nationalist head of Bosnia's Serbs, fly to Belgrade on Yugoslav army helicopters, and helicopters are used for supplies from Serbia to Bosnia.

Western military attaches yesterday said the time had not yet arrived for closing down Yugoslavia's internal air space.

"It would need a security council resolution, and an agreement on who would monitor the air space," a Dutch diplomat said.

He added that the decision by the WEU to send ships to the Adriatic was a first step.

"It will not stop the killing. But the WEU has taken responsibility in contributing towards making the UN sanctions more effective," he said.

Indian commerce minister steps down

INDIA'S financial scandal yesterday claimed its first political casualty with the resignation of Mr Palaniappan Chidambaram, the commerce minister, who has been one of the key architects of reforms to open up the economy, Reuter reports from New Delhi.

President Ramaswamy Venkataraman accepted his resignation after Mr Chidambaram had made public a letter to Prime Minister P.V. Narasimha Rao in which he said he had invested money in a company being investigated in the securities market scandal.

He said his wife Nalini, who managed the family's financial affairs, had invested 250,000 rupees (£4,600) of their money in Fairgrowth Financial Services Ltd, named by the central bank as involved in the scam.

"It is my sincere hope that these small investments will not cause any embarrassment to the government," Mr Chidambaram, 46, said in the letter to Mr Rao. "If they do, I would have no hesitation in stepping down from the office of minister. I leave the matter to your judgment."

Mr Chidambaram said he and his wife were not aware of the company's actions. "My wife had no reason to suspect any wrongdoing," he said. "In fact, if FFSL have done anything wrong, we may stand to lose our investments."

When releasing the letter to the press Mr Chidambaram was confident he would not be asked to resign, The Times of India newspaper reported. But within an hour, it said, Mr Rao had forwarded the resignation to the president.

Mr Chidambaram appeared in parliament on Friday but made no statement and refused to speak to the press. The matter of his resignation was not raised because parliament was adjourned after pandemonium erupted over the construction of a Hindu temple on the site of a mosque at Ayodhya.

Fairgrowth received Rs2.4bn (£48m) from a subsidiary of state-owned Andhra Bank while handing over securities worth only Rs1.85bn, according to the Reserve Bank of India, the central bank.

It said the balance was covered by allegedly forged documents testifying to the ownership of securities.

A total of Rs31.92bn worth of transactions between banks and financial institutions was not backed by securities or was backed by fraudulent securities, the government has said. The money was used to play on the then-booming Bombay Stock Exchange.

Some members of the ruling Congress party said the resignation would strengthen Mr Rao, although he would lose the services of one of his key aides.

"Although Chidambaram cannot be accused of any wrongdoing, he has resigned because he has acquired a comparatively insignificant number of shares in a controversial firm," said Congress parliamentarian Mr Era Anabarasu.

Hindu militants start to build Ayodhya temple

The start of construction is in defiance of an assurance to central government, writes Shiraz Sidhva

A ROW erupted in the Indian parliament yesterday after Hindu militants on Thursday openly defied a court order and began construction of a Hindu temple on the site of a disputed 16th-century mosque at Ayodhya.

Five thousand Hindu activists from the militant right-wing Vishwa Hindu Parishad (VHP) poured into the dusty town near Lucknow with truckloads of gravel and sand, and three concrete mixers as prominent Hindu leaders performed the ritual of pouring gravel on the foundation stone, laid almost three years ago. The Hindus want to build a temple on the site because they say the Hindu god Lord Ram was born there.

The symbolic start of the temple construction was in open defiance of the Hindu Bharatiya Janata Party (BJP)'s assurance to the central government that it would respect the verdict of the courts. The VHP is a radical wing of the BJP.

A court order forbids the construction or demolition of any permanent structure on the disputed site. While Hindu activists have not dared to invade the barbed wire fencing around the ancient Babri mosque, they have demolished other smaller structures on the site.

The move, which is seen as politically expedient rather than religiously motivated, has escalated tension between Hindus and Moslems in northern India.

The BJP which wrested power in Uttar Pradesh, where Ayodhya is located, a year ago, on the promise that they would build the Hindu temple, against all odds, has been unable to contain the enthusiasm that it whipped up on the temple issue two years ago.

Mr S.B. Chavan, the Indian home minister has summoned Mr Kalyan Singh, the Uttar Pradesh chief minister to New Delhi, to ask for an explanation. Mr Singh, who has been under tremendous pressure to deliver on his main electoral promise to build the temple, has allowed the commencement of the construction to appease the militant wing of his party.

Hardline Hindhu militants lay the foundation to the main gate of a temple at the site of a 16th-century mosque at Ayodhya in the northern Indian state of Uttar Pradesh

Afghans continue fighting to win the peace

Kabul's ruling mujahedin are still beset by the divisiveness that hampered their struggle against the former regime, writes Steve Levine

THREE months after taking power, Afghanistan's ruling council has even less control over the countryside than did the government it deposed.

The Islamic fundamentalist mujahedin, backed by a military triumvirate, are beset by lawlessness and the same bitter divisiveness that hampered their 14-year struggle for power against the former Moscow-backed regime.

Bandits still routinely loot vehicles in the countryside. Night-time sentries in Kabul are as likely to train a grenade launcher at a stranger as simply to ask for identification.

Last month, minority Shia and ethnic Pushtun mujahedin fought a five-day battle on the capital's south side leaving more than 100 dead. Recently, radical mujahedin leader Gulbuddin Hekmatyar fired rockets on Kabul, killing 50 people.

"Kabul under the old government controlled 29 provincial capitals and all the major supply routes. What does Kabul now control?" asked an Asian diplomat in Kabul.

There are signs of a government trying to begin governing. On Monday – three months after his appointment – the new prime minister, Mr Abdul Saboor Fareed, arrived in Kabul and took his oath of office. The president, Berhannuddin Rabbanni, is also in office, chairing the 51-member ruling civilian council. A campaign has begun to expel armed rebels from the capital.

A rise in confidence is suggested by a strengthening of the Afghan currency, which has doubled in value to 650 to the dollar since former President Najibullah fell in April.

The regular Friday prayers have become the most democratic arena Afghans have seen for years, with fired-up devotees shouting critical questions at mujahedin leaders standing at the pulpit.

However, the impression is of a government plagued by blood feuds and disorder, struggling to transform itself from a guerrilla army.

The ruling council appears to be respected by most mujahedin commanders. But power is largely held by a strategic alliance of the former rebel commander, Mr Ahmad Shah Masood, who is defence minister; Mr Abdul Rashid Dostam, a powerful militia general whose defection triggered Mr Najibullah's fall; and General Abdul Momen, the de facto military commander of Kabul. Under their orders, things do seem to get done.

Mr Masood is viewed as the single most powerful person in Kabul. But because Afghan society demands consensus and honour, he must tread lightly. He is said to spend most of his time trying to bridge discord among the various armed ethnic and political groups in the capital.

Mr Momen is in charge of an operation intended to rid Kabul of armed mujahedin. Pursuing the assignment with zest, his convoy of tanks has rolled around Kabul, lowering muzzles at obstreperous mujahedin commanders.

However, his less than tactful approach upsets some mujahedin. One complained: "I didn't fight 14 years of jihad (holy war) to be ordered around by a communist."

Mr Dostam is the triumvirate's most controversial member. From the mid-1980s, he commanded a mercenary army which, bankrolled by Mr Najibullah, fought the war's most brutal battles against the mujahedin.

When he and Mr Momen defected, Mr Najibullah was finished.

The most vocal opponent of Mr Dostam has been the radical leader Mr Hekmatyar, a Pushtun. Mr Fareed's delayed arrival was a result of Mr Hekmatyar's refusal to allow his man in the capital until Mr Dostam's militiamen left. Mr Dostam's departure is unlikely, since Mr Masood probably needs him to hold back Mr Hekmatyar.

For now, Mr Hekmatyar, believed to hold a huge arsenal of US and Saudi-supplied weaponry, wanders the countryside in a convoy, biding his time.

Japan monopoly body orders end to building cartel

By Robert Thomson in Tokyo

JAPAN'S anti-monopoly Fair Trade Commission has ordered 166 construction and related companies to disband the largest bid-rigging cartel uncovered by the agency in its attempts to clean up the country's construction industry.

The surveying, consultancy and construction companies are alleged by the FTC to have routinely rigged bids for contracts in the Nagoya area, in central Japan, by convening a meeting two days before a bid closing date.

Commission officials said that the companies would decide among themselves which would apply for the contract and, if more than one company was keen, they would conduct a lottery. In the bidding process, the chosen company would bid lowest and inevitably win the contract.

These cartels, or dango, are a serious point of trade friction between Japan and the US, which is attempting to improve access to the Japanese market for US contractors.

Until this case, the largest dango was in Saitama, near Tokyo, where 66 companies had divided local government projects among themselves until this year.

The FTC closed down the cartel, and the Ministry of Construction warned the companies not to renew their collusion.

The 166 companies have until July 23 to notify the FTC of their willingness to disband the cartel.

If they refuse, the commission could decide to take legal action, which would be the first formal anti-monopoly case against the politically-influential construction industry.

Pangs of delight for Hong Kong cartoonists

By Simon Holberton in Hong Kong

A hairdresser recently asked her view of Mr Chris Patten, Hong Kong's new governor, furrowed her brow and said: "Hmmm, Mr Patten; a very important man."

"Why?"

"Well, he's the chairman of Britain. Hong Kong is lucky to have such an important man."

The former chairman of the Conservative party might be taken aback by his elevation, but then, to the Chinese, the word "chairman" has a singular ring to it.

An altogether different grassroots perception of the new governor is provided by cartoonists in the leading local newspapers. They have lighted on Mr Patten's somewhat corpulent demeanour and nicknamed him "Fat Pang" – Pang being the Chinese surname he has taken.

This is not a case of *lèse majesté* as such – the Chinese will pick on someone's most distinguishing feature be it a stammer, squint or limp and turn it into a nickname – but more a piece of well-intentioned and irreverent teasing.

But it is a nickname the governor will have to live with for the rest of his time in Hong Kong. One newspaper, the Hong Kong Economic Journal, has begun to run a daily comic strip entitled "Fat Pang's Theatre".

Mr Patten's desire to run an "open and accessible" administration – one element of which will be a form of prime minister's questions in the local legislature – will no doubt provide fertile material for the colony's local wags.

So may his desire to run a "presidential" style of government. Yesterday, he held one of the largest press conferences the colony has seen in the garden of his official residence. It was not quite the White House Rose Garden, but the tone was unmistakable. Mr Patten intends to lead from the front.

Iraq starts building oil pipeline

Iraq is pursuing a plan to build a pipeline through Jordan to export crude oil from the port of Aqaba on the Red Sea once it returns fully to the oil market, according to a report to be published on Monday in Petroleum Intelligence Weekly (PIW), the leading oil industry newsletter, Mark Nicholson, Middle East Correspondent, writes.

The report says talks between Iraq and Jordan were concluded in the spring and that the Iraq State Company for Oil Projects began digging on its side of the border a month ago.

The pipeline would stretch 900km from Iraq's K3 pump station at Haditha and have a capacity of 1m barrels a day.

US prices subdued

US producer prices rose modestly last month, providing further evidence that inflationary pressures are subdued, the Labor Department reported yesterday, Michael Prowse writes from Washington.

After seasonal adjustments, the producer price index for finished goods rose 0.2 per cent last month and 1.5 per cent in the year to June.

The increase was largely due to a 2.3 per cent jump in energy prices in June. Excluding food and energy, which are volatile on a monthly basis, the index fell 0.1 per cent – the first decline since 1987.

S African killings

South Africa faces increasing instability in the coming months, a senior police officer warned yesterday, Michael Holman reports from Johannesburg.

In the first six months of this year 1,181 people died in political violence, including 100 policemen. Last year 2,240 violent deaths were recorded, including 137 policemen.

Dunkel extension

The governing council of the General Agreement on Tariffs and Trade (Gatt) is next Tuesday expected to approve a six-month extension to July 1993 of Mr Arthur Dunkel's position as director-general, writes Francis Williams.

Mr Dunkel has been asked to stay on because the organisation's future remains unclear under the Uruguay Round.

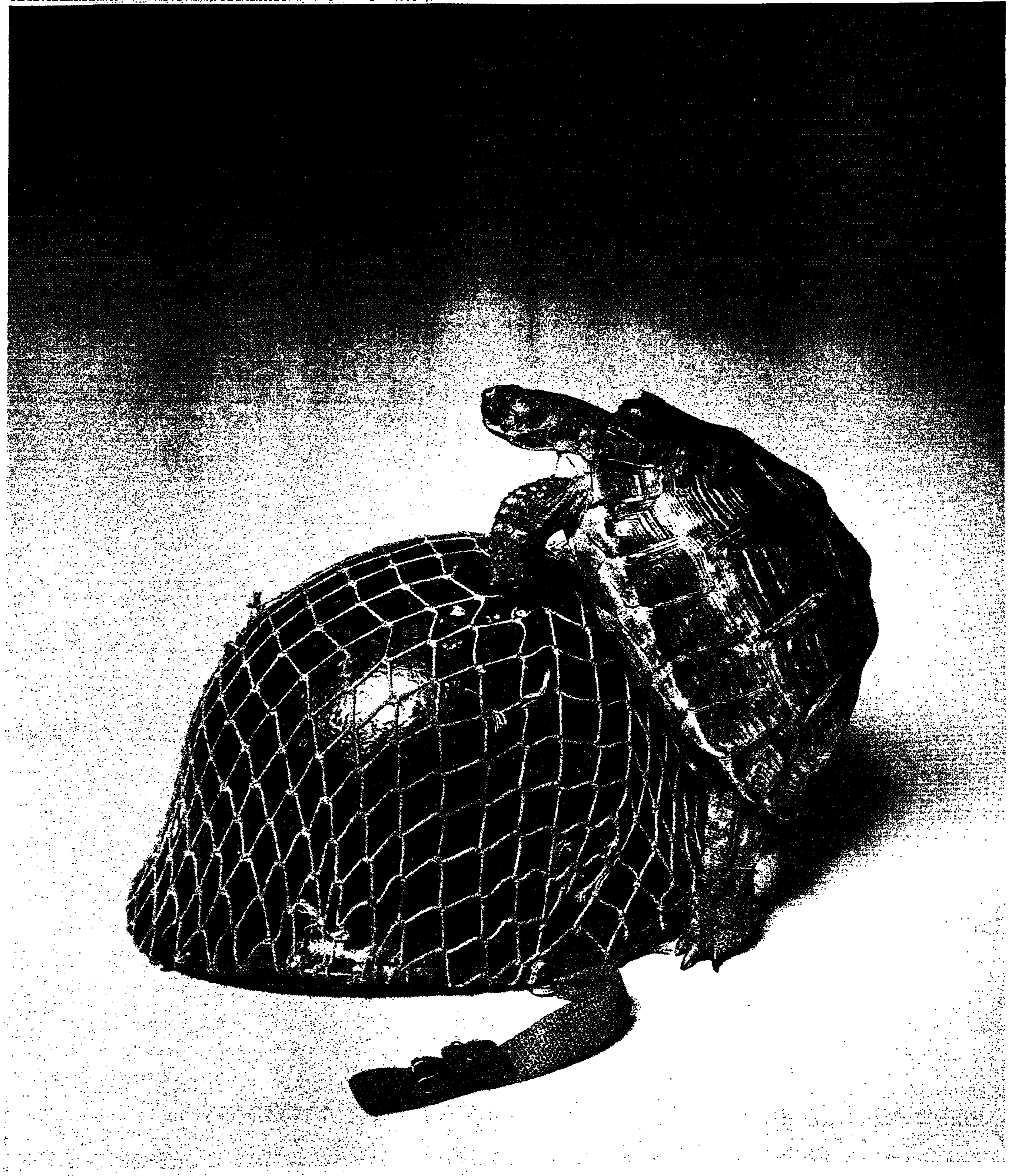
China's economic growth rises 10%

CHINA'S economy moved into high gear in the first half of 1992, with gross national product rising an estimated 10 per cent over the same period last year, according to the official People's Daily, Reuter reports from Beijing.

The newspaper attributed the high growth rate, which outstripped even the government's most recent increased estimate, to a call in January by Deng Xiaoping, the country's senior leader, for faster economic reform.

Preliminary statistics show that industrial production rose by 18 per cent over the first half of the year. Retail sales rose 14 per cent. Customs figures show exports rising 17 per cent to $35.6bn (£18.6bn), and imports growing 23 per cent to $33.1bn.

Premier Li Peng, a conservative who oversaw a three-year austerity programme from 1988 designed to bring the economy back under control after a similar period of rapid growth, told parliament in March the 1992 growth target was 6 per cent. In a humiliating reversal, he was forced to amend his report to allow for the possibility of higher growth in some areas. Last month, he climbed down further by admitting that GNP growth would probably surpass 9 per cent. Growth was 7 per cent in 1991.



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Discounting forces down retail inflation

By Peter Marsh, Economics Staff

INFLATION at the retail level has shown a sharp fall, helped by a drop in the price of seasonal foods, widespread discounting in shops and only a small rise in the prices of many services.

The Central Statistical Office said yesterday that the retail prices index (RPI) rose in the year to June by 3.9 per cent, from 4.3 per cent in May. The June figure is the lowest since last October.

The RPI excluding mortgage interest payments – a measure favoured by the Treasury as indicating underlying inflation – rose by 4.8 per cent in the 12 months to June, after 5.3 per cent in May. That is the smallest increase in the measure since June 1988.

The Treasury said that, on the basis of an unpublished internal study, the equivalent inflation rate for the European Community as a whole was 4.9 per cent in June. That meant UK inflation was for the first time since 1986 lower than the EC average, if the two are measured on a comparable basis.

Between May and June the RPI stayed unchanged at 139.3. There was a relatively sharp 0.4 per cent increase in the index between the comparable months last year.

Of the fall of 0.4 points between year-on-year inflation in May and June, roughly half was due to a fall in the prices of seasonal foods, particularly potatoes, British lamb and fresh fish.

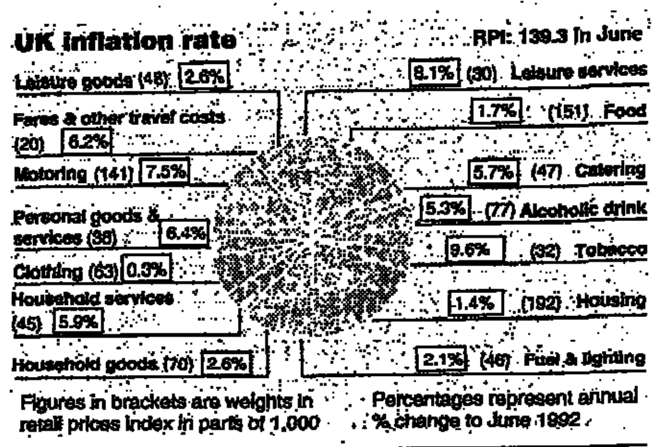
During June the price of this type of food fell by 2.9 per cent, while in June last year – due largely to wet weather – prices increased by the same amount. As a result of that statistical quirk, prices for seasonal foods dropped by 6.8 per cent in the 12 months to last month – the biggest year-on-year drop for the items since 1984.

Prices of household goods, such as furniture and carpets, showed a 0.1 per cent fall between May and June. That resulted in a year-on-year increase last month of 2.6 per cent, the lowest for this class of goods since 1987.

Do-it-yourself products for home decorating also saw lower prices, as did some processed vegetables such as baked beans.

Prices of leisure services, such as charges for sports activities and those for personal services including hairdressing, both saw an increase of just 0.1 per cent between May and June.

Prices associated with motoring showed a 0.2 per cent increase between May and June, to make the year-on-year rise in those prices last month 7.5 per cent. Petrol prices fell during June by about 1p a gallon, while prices of many secondhand cars went up.



Boost for rented housing sought

THE GOVERNMENT is to hold talks with institutional investors to see whether a fresh initiative can be taken to build up the private rented housing sector, Sir George Young, housing minister, said yesterday, David Barchard writes.

"My vision is of good-quality, professionally managed accommodation for rent, backed by long-term institutional investment," he told the Council of Mortgage Lenders.

"I believe that there is now a consensus that the time is ripe for a fresh initiative and I have invited to my department representatives of major institutional investors to identify how we convert this consensus into homes."

He told mortgage lenders to tell their customers that there is a range of options if their circumstances change and they fall into arrears. The minister believes that will help to build confidence in people about to enter the housing market.

Sir George sharply rebuked critics of the mortgage-rescue scheme agreed between the government and lenders last year.

"The mortgage-rescue package is forecast to rescue 55,000 people, many more than originally forecast last December," he said.

Commons committee dispute deepens

By Ralph Atkins

ANGRY exchanges among Tories about membership of Commons committees took a new turn yesterday – and may threaten the places of some senior Conservatives when MPs vote on the proposals on Monday.

Mr Nicholas Winterton, maverick former Tory chairman of the health committee, tried to retaliate against government business managers' attempts to use his length of service as an reason to unseat him.

He listed, in a Commons motion, three other Tories and six Labour MPs who had served for a similar period but had been renominated. His move further embarrassed Conservative whips who, though insisting the Commons committees are matters for the House to decide, have heavily influenced the selection.

Already an amendment has had to be tabled to remove the similarly long-serving Sir John Wheeler from the list for the home affairs committee he used to chair. Sir John, MP for Westminster North, plans to make a personal statement to the Commons on Monday.

The confusion – which will lead to a succession of votes on Monday night – increased the suspicion among many Tory MPs that the party's business managers had concocted the long-service rule simply to unseat Mr Winterton.

Sir Marcus Fox, Tory chairman of the selection committee that approved the original lists, said: "We took the view that it is absolutely right that after 13 years and three parliaments, any member who was on a select committee in 1979 really ought to make room for other people."

MoD optimistic over EFA

By Ralph Atkins and Paul Betts

MR Malcolm Rifkind, the defence secretary, will meet his Italian and Spanish counterparts next Tuesday to discuss the future of the European Fighter Aircraft amid increasing optimism at the Ministry of Defence that the £20bn project can be saved.

The talks coincide with intensified lobbying by the UK aerospace industry, which warned yesterday in a briefing paper that the collapse of EFA - which is in its developmental phase - would have severe consequences on employment and the future competitiveness of the UK manufacturing industry. Italy and Spain have signalledthat they wish to continue with the project, Mr Jonathan Aitken, defence procurement minister, said in a Commons debate yesterday.

The MoD is also pressing for the EFA project to continue – in spite of Germany's withdrawal from production and Treasury scepticism about the extra costs that may now be involved.

At the London meeting, all three defence secretaries will discuss options available for continuing the project within budget.

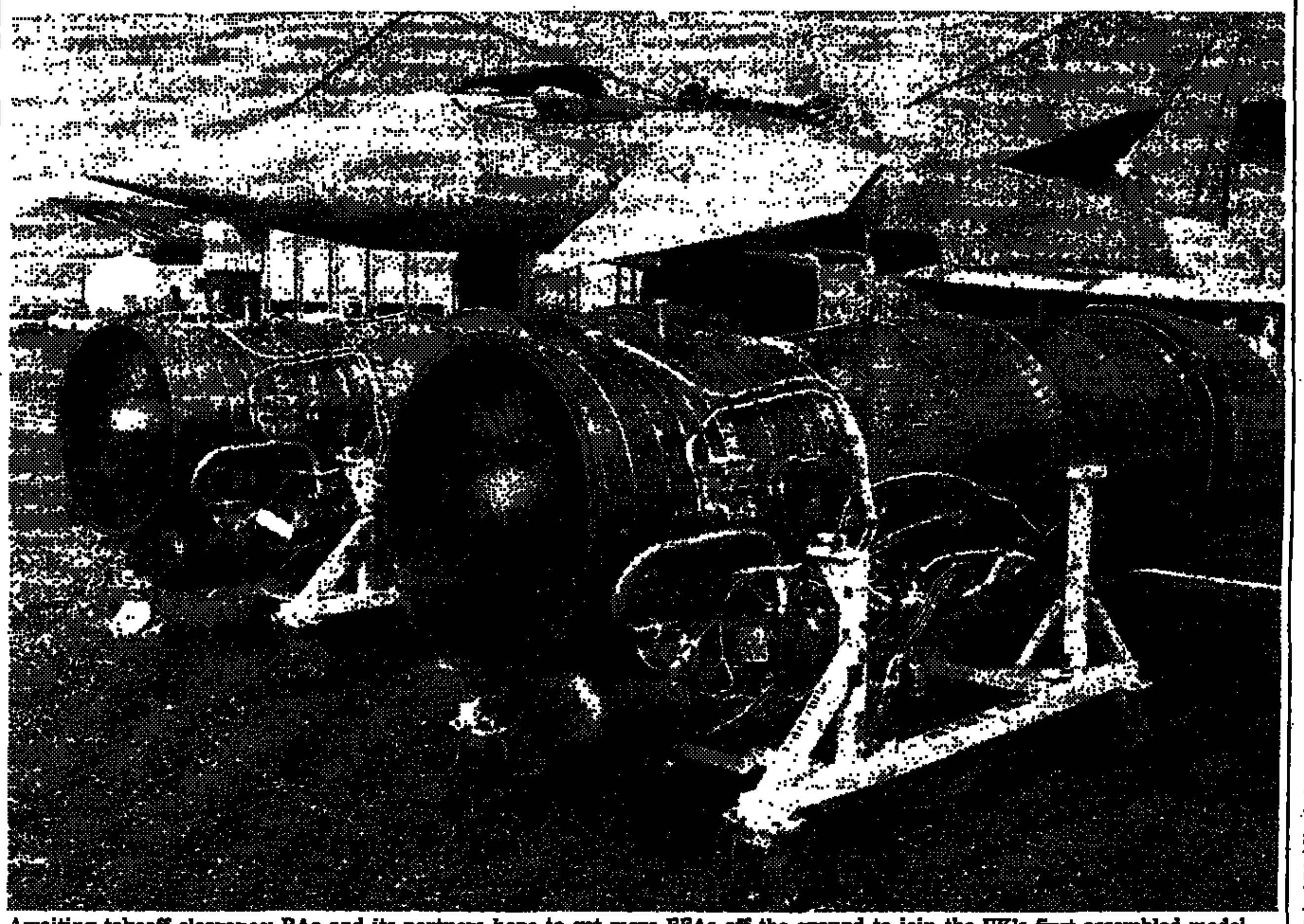
Mr Aitken said discussions on the costs of EFA had always been planned for early next year, when the development phase was near completion. "We are now having these discussions a little earlier," he said.

On the cost side, Sir Barry Duxbury, director of the Society of British Aerospace Companies (SBAC), the UK industry's trade association, said yesterday that the aerospace industry was "dismayed" by views attributed to the Treasury on its worries over EFA costs. Those views indicated "not only reluctance to acknowledge the UK's defence policy commitments and a lack of appreciation of the cost-effectiveness of EFA but also a large degree of naivety on industrial matters".

He also warned that for many smaller companies involved in EFA, cancellation might lead to the collapse of the companies themselves.

The SBAC argued that almost all the developing technologies that would feature in the future of both civil and military aerospace "are part and parcel of the EFA development programme".

It claimed that the companies involved in EFA had already produced substantial cost savings "creating a unit price of less than £25m" per aircraft. Government risk had also been minimised "by the most stringent contractual and performance agreements ever developed in the military aircraft field".



Awaiting takeoff clearance: BAe and its partners hope to get more EFAs off the ground to join the UK's first assembled model

Maxwell City adviser gives fund £50,000

By Norma Cohen, Investments Correspondent

WATSON'S, the actuarial consultancy firm that acted as adviser to the Maxwell Communication Corporation pension scheme, has donated £50,000 to the compensation scheme set up to aid the Maxwell pensioners. It is the first City firm to make a donation.

The fund has received only one other donation so far, a £120,000 contribution from the National Association of Pension Funds.

Mr Alan Chaplin, partner, said the firm decided to make the donation after assurances that such a move would not imply any guilt or liability

Sir John Cuckney, a leading City figure and former chairman of 3i, the venture capital group, has been seeking donations to the fund from firms that had dealings with Robert Maxwell.

The scheme was set up nearly two months ago by Mr Peter Lilley, social security secretary, who said that those who had profited from their dealings with Maxwell should help to cover the shortfall in assets from pension schemes he controlled. More than £400m is missing from those schemes.

Mr Chaplin said that Watson's first became aware of "serious irregularities" in the MCC pension scheme on December 3 last year after a meeting it had sought with the pension scheme manager. Watson's immediately contacted the Occupational Pensions Board to advise them of the situation, he said.

Watson's most recent actuarial valuation of the MCC pension scheme was made as of March 31, 1988.

Another was due to be completed as of March 31 last year, but while membership data required for the exercise had been received, information on assets had not.

Watson's said that in addition to actuarial valuations, it advised MCC itself on matters such as the pensions aspects of sales and purchases of subsidiaries.

Membership move by unit trust body

THE Unit Trust Association will consider proposals to broaden its scope to include managers of a wide variety of investment vehicles, including investment trusts.

The move follows a review of members' views in the trade association after a dispute with the life insurance industry over regulation of retail financial services. Three large life insurers, who also sell unit trusts, withdrew from the UTA over its criticisms of life insurance sales methods.

MPs told of Imro 'shortcomings'

By Ivor Owen, Parliamentary Correspondent

THE FAILURE of the Investment Management Regulatory Organisation (Imro) to detect the plundering of pension schemes by the late Robert Maxwell arose from "shortcomings of implementation", Mr Anthony Nelson, economic secretary to the Treasury, told the Commons yesterday.

Mr Nelson said: "I do not accept that this case demonstrates that the supervisory structure itself is deficient."

Acknowledging the need to strengthen the regulatory system, he emphasised that the Securities and Investments Board (SIB) had decided to work on correcting key shortcomings rather than withdraw recognition from Imro.

He denied that Imro warned the government that it could not carry out its duties properly because of difficulties ovet the relationship between the Financial Services Act regime and trust law.

Mr Nelson rejected further Labour demands that the government should compensate the pensioners concerned. He insisted that no government could accept a duty "to make good losses resulting from fraud or theft of savings".

Mr Nelson said it was clear that the chain of responsibility had failings at many links.

Mr Paul Boateng, a Labour spokesman on Treasury affairs, said: "SIB was, in its own way, as much to blame in these matters as Imro". Both bodies, he said, must bear a degree of culpability.

Mr Ken Eastham, Labour MP for Manchester, Blackley, warned that it would be years before ordinary working people regained confidence in pension schemes.

Calling on Imro to provide compensation, he said: "I am not talking about petty cash like £2m or £3m."

Mr Eastham said some kind of penalty should be imposed on Imro "for its incompetence and slackness regarding protection of pensioners' interests".

Press article angers Bottomley

MR Peter Bottomley, the Conservative MP and former junior minister, has asked the Press Complaints Commission to rule on a story in The Independent about his wife Virginia, the health secretary.

The Independent revealed that Mrs Bottomley, who earlier this week introduced measures designed to reduce teenage pregnancies, had had her first child when she was 19 – three months before she married the father, Mr Bottomley.

Covenant case parties settle

A HIGH Court test case over the use of restrictive covenants preventing employees from taking business when they leave a company was abandoned yesterday when the parties settled out of court.

The case against Allied Dunbar, the financial services company, had been brought by four employees of J. Rothschild Assurance, a life assurance company that had recruited 200 Allied Dunbar sales associates. Neither party would disclose the settlement terms.

Fresh legal boost for LUI creditors

By Raymond Hughes, Law Courts Correspondent

ATTEMPTS by four insolvent companies in the London United Investments insurance group to put together schemes of arrangement for the benefit of their creditors have been given a second impetus by the courts.

On Thursday, a ruling by the Court of Appeal increased the ability of the Policyholders' Protection Board, whose support is crucial to the schemes, to participate in them.

Yesterday a High Court judge held that deposits totalling about $98m (£51.7m), held by banks in the names of the four companies, are the absolute property of the companies.

Mr Justice Harman said that HS Weavers (Underwriting) Agencies, also a wholly owned subsidiary of LUI, which acted as underwriting agent and managing agent for the companies, had no right to any part of the deposits.

Rejecting Weavers' claim that it was entitled to take from the deposits debts it was owed under the agency agreement, he said he could not see why the companies should have to pay anything to Weavers to the detriment of the general body of their creditors.

Kingscroft Insurance Co, El Paso Insurance Co, Lime Street Insurance Co and Mutual Reinsurance Co, which are in provisional liquidation, have gross liabilities of $2.5bn and assets of about $1.7bn.

They believe the proposed schemes, which would enable them to run off their business in the normal way and pay a percentage of the claims, would be more beneficial to their creditors than liquidation.

Date set for tougher toxic waste rules

By Ivor Owen, Parliamentary Correspondent

FURTHER strengthening of the already tough regulations governing emissions from incineration of toxic waste by Rechem International at its Pontypool plant will take effect in the autumn, Mr Gwilym Jones, a junior minister at the Welsh Office, assured the Commons yesterday.

He urged Labour MPs who had sought a public inquiry into the plant to await the outcome of a survey being undertaken by Professor Lewis Roberts of the University of East Anglia.

Its findings on the levels of contamination by PCBs (polychlorinated biphenyls) near the plant are expected to be announced in January.

Mr Jones acknowledged the anxiety of people living near the plant but maintained that the need for an inquiry or other form of investigation could best be decided in the light of the survey's findings.

The more stringent regulations to be introduced in the autumn, he said, would stem from the Environmental Protection Act.

Rechem had already announced that it would invest £2.5m to improve emissions from the incinerator stack. The Pollution Inspectorate has served it a notice to improve matters by next May.

Mr Jones promised that every effort would be made during Britain's presidency of the European Community to hasten a ban, sought in a directive, on imports of toxic waste from developed countries outside the EC.

Defending the continued imports of toxic wastes from underdeveloped countries, Mr Jones emphasised that a ban might lead to illegal or environmentally unsound dumping – "the worst of all crimes against the environment".

Lamont says ERM will remain at centre of strategy

Extracts from the speech by Mr Norman Lamont, the chancellor, yesterday to the European Policy Forum: Today's inflation figures marked another important milestone on Britain's long road to permanently low inflation. For the first time since 1986, our inflation, measured on a comparable basis, is lower than the European Community average.

But just beating the average, when most of our competitors are seeking to reduce inflation further, should not be good enough. Two thirds of our exports go to countries with inflation rates lower than our own.

For almost two years, the government's counter-inflationary strategy has been based on sterling's membership of the exchange rate mechanism. The ERM is not an optional extra, an add-on to be jettisoned at the first hint of trouble. It is and will remain at the very centre of our macroeconomic strategy.

Retail price inflation has fallen from nearly 11 per cent at the time of entry to less than 4 per cent today. As inflation has come down, we have been able to cut interest rates nine times, from 15 per cent to 10 per cent today, below the average of the last 10 years.

Both management and unions are getting the message that if we want to compete with the rest of Europe, we must not award ourselves pay increases far in excess of their levels. Britain's trade performance has confounded the pessimists. Exports are at a record level.

I cannot believe we could have achieved all this outside the ERM. But despite these achievements, and the progress we are making towards our medium-term objectives, there are those who try to blame the present difficult economic situation on our membership of the ERM. As soon as the going gets rough, the quest begins for the easy way out. They cast around for a painless, cost-free route to higher growth with low inflation.

I would be the last person to say that – to coin a phrase – there is no alternative to our present policy. Plenty of alternatives are suggested. But in my view, they are all illusory or destined to fail. They would not deliver low inflation.

'The cut-and-run option; cut interest rates and a run on the pound'

Let me deal with each in turn:

● **Cut interest rates immediately**
If any country within the ERM is to have lower interest rates than Germany, the markets must expect its currency to appreciate against the D-Mark.

But the D-Mark has never been devalued in the history of the ERM. So it is scarcely surprising that foreign exchange markets are just not prepared to hold ERM currencies yielding substantially less than the D-Mark.

Nevertheless, some suggest that Britain has more flexibility; that by allowing the pound to fall to the bottom of its wider band, we would create the scope for a subsequent appreciation, and hence our interest rates could be much lower than Germany's. This is theoretically ingenious, but wholly unrealistic.

If it were true, it would be the weakest currencies in the ERM that had the lowest interest rates. But foreign exchange markets do not expect a weak and falling currency, with low interest rates, to bounce back up again. They expect it to carry on falling, and they sell it, forcing interest rates up.

So even with the extra flexibility afforded by the wide bands, I know of no serious economic commentator or analyst who believes that sharp interest rate cuts – from our current position, with rates just above those in Germany – are a serious option within the ERM.

● **A German realignment**
There are those who argue that Germany has been hit by an exceptional, inflationary shock – that of reunification – and that the rest of Europe is being forced to bear the consequences. The D-Mark should therefore be realigned upwards. No country in the ERM is looking in that direction. The issue is simply not on the agenda.

● **Devaluation within the ERM**
It is patently absurd to suggest that this would allow interest-rate cuts. When currencies devalue against the D-Mark, the markets do not expect them to be revalued back up again. They expect a further devaluation, and demand higher, not lower, interest rates to compensate for that risk. So currencies that devalue pay an interest-rate premium. A realignment could only put interest rates up, not down.

● **Leave the ERM, cut interest rates and let the pound find its own level**
It sounds simple. After all, the US floats its currency; why shouldn't we do so too? The British economy is far more dependent on international trade. More than a third of our national output is exported, compared to just a tenth for the US. For Britain, the threat of imported inflation is very real.

Many who advocate floating intend a devaluation of the pound. And they would certainly achieve it. The result of leaving the ERM, combined with large cuts in interest rates, would be a fall in the pound probably unprecedented in the last 40 years. It's the cut-and-run option; cut interest rates and a run on the pound. We know from bitter experience that devaluation just does not work for Britain. The devaluations of the past yielded not booming exports but a steadily falling share of world markets.

Outside the ERM, we would still have to compete with the ERM countries. Markets would see that, unlike all our major European competitors, Britain lacked the will to pursue the goal of permanently low inflation. And they would be right. We would have given up after less than two years. They would conclude that we were back to our bad old ways; that, given the chance, we would always delude ourselves by thinking that with a little more inflation we could get a little more growth.

The credibility of our anti-inflationary strategy with businesses and employees would be in tatters.

'As the Russians say, only mousetraps have free cheese'

And quite soon interest rates would have to go back up again – to much higher levels than they are today.

● **Leave the ERM and set interest rates according to domestic monetary targets**
There are those who also seek a return to floating, but think we can control inflation by fixing monetary targets and setting interest rates accordingly. We have been here before. In the 1980s we fixed domestic monetary targets and attempted to meet them by setting interest rates accordingly. But the money supply figures often provided a poor guide to interest rate policy.

The government could not remain indifferent to the level of the exchange rate. It is no surprise that most interest rate changes in the 1980s were associated with movements in the exchange rate. So there is no reason to believe that a floating exchange rate regime would lead to lower interest rates. The experience of the 1980s suggests quite the opposite.

Those who advocate a return to floating sometimes dress up their arguments in free-market language. They say that the exchange rate is simply a price like any other, and that it is wrong, in a market economy, to try to fix prices.

But if – as I believe – it is the responsibility of government not to debauch the currency but to ensure that money retains its value, the question we must ask is how we can best attain this objective. The evidence of the last few years demonstrates that it is the ERM that is most likely to deliver price stability in Britain.

So we have five options – five ways we could try to change the current monetary policy. What they all have in common is that each is a plea for a free lunch. Sadly, there is no such thing. As the Russians say, only mousetraps have free cheese. The result of attempting to implement any of them would be either higher interest rates, higher inflation, or most likely both.

Heseltine deplores 'low' standards

Providers of advice are criticised

By Lisa Wood, Labour Staff

THE QUALITY of much advice to businesses is "too low", Mr Michael Heseltine, trade and industry secretary, said yesterday. He added at a conference in Birmingham of Training and Enterprise Councils that providers should aim for much higher standards and greater professionalism.

"Nowhere near enough Tecs, chambers of commerce, local enterprise agencies or other support agencies come close to meeting these tough criteria at present," he said.

"Standards are simply too low across the network as a whole, and I see it very much as our joint responsibility to take the necessary action to bring these new networks into a more effective partnership."

He said the government intended to boost the establishment of "first-stop shops" to give advice to businesses by setting up a pilot network of 15 "shops" in the autumn. He was keen to speed up the establishment of the new "shops" and iron out conflicts between some Tecs and other providers of advice including chambers of commerce.

Tecs, which operate throughout England and Wales, have a role in providing advice, particularly to small businesses. Some work with chambers, but others have set up their own membership schemes, raising fears among local chambers of an erosion of their own membership income.

Chambers believe Mr Heseltine's department is seeking to play a mediating role in conflicts between Tecs and chambers. The DTI has taken over some business advisory work previously done by the Department of Employment.

The "first-stop shops" are designed to provide central points at which businesses can seek advice on issues such as export procedures, capital-raising and compliance with health, safety and employment laws. They will also be expected to bring together the small-business responsibilities of the DTI and the Department of Employment.

Tecs will be responsible for bringing together the agencies needed to set up the new bodies.

Revving up for the £20m Mansell show

John Griffiths visits Silverstone racetrack, where business is thriving for this weekend's British Grand Prix

THIS WEEKEND, a 750-acre corner of Britain has found a temporary cure to the economic malaise sweeping the rest of the country: the racing driver Nigel Mansell.

While the weather and economic clouds have cast gloom over this year's corporate hospitality scene from Wimbledon to Royal Ascot, the organisers of the British Grand Prix at Silverstone in Northamptonshire say they sold the last available hospitality space three weeks ago.

Advance ticket sales have been running 30 per cent higher than last year, when a total of 200,000 people attended over the three days of practice and racing – making the grand prix the UK's single biggest paid spectator event.

At Silverstone, it was being taken for granted that the circuit's attendance record would be broken this weekend as decisively as Mansell broke the lap record in practice yesterday.

Pre-filed flight applications show that tomorrow Silverstone's grass strip will once again become the world's busiest airfield, with nearly 3,000 movements, mainly helicopters.

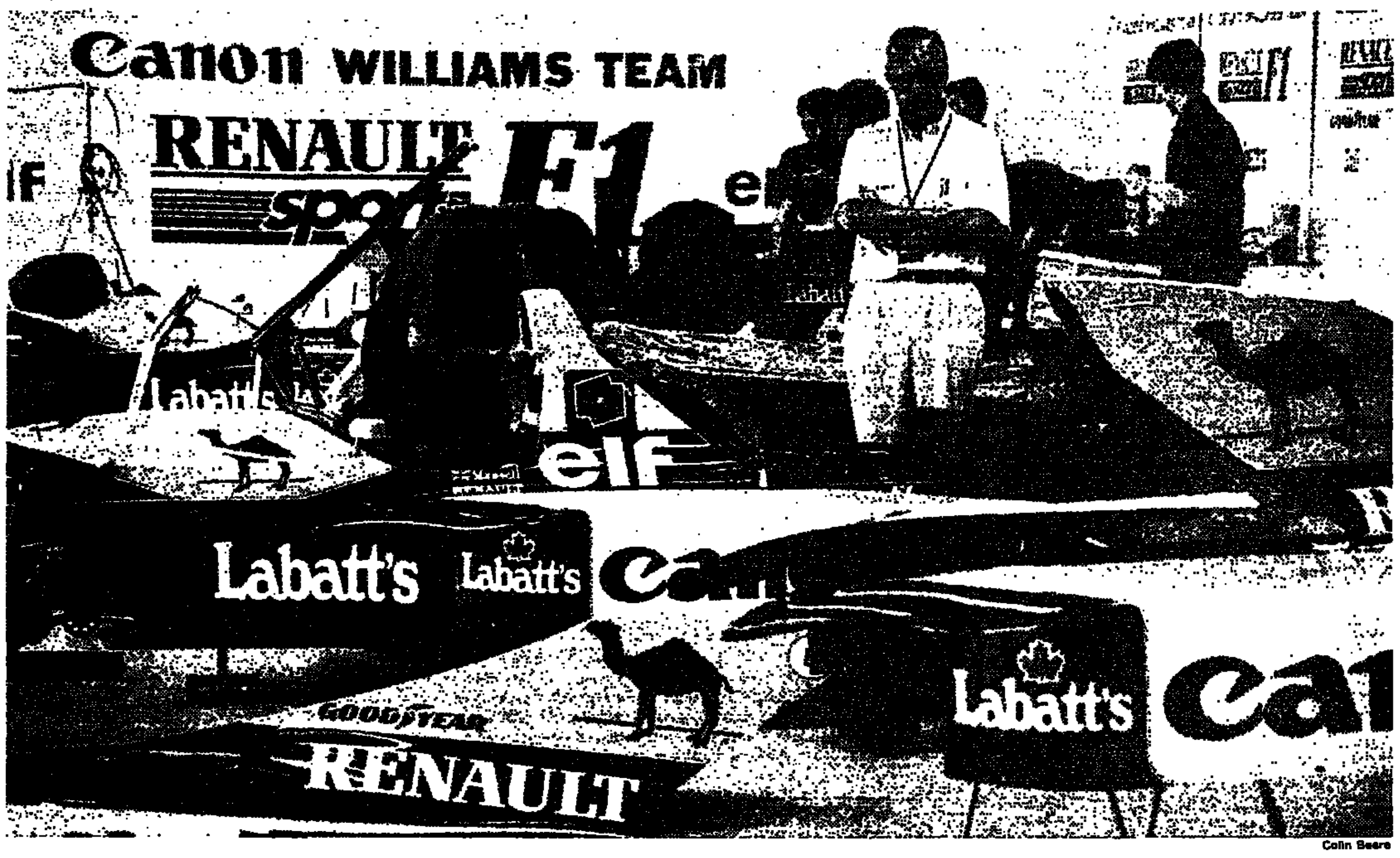
Ms Corinna Phillips, public-affairs manager for Silverstone Circuits, has no doubt that it is because of "the Mansell factor" – the increasing prospect that this year Britain will have its first grand prix world champion since James Hunt in 1976.

"Like everyone else, we had a slow start this year," said Ms Phillips. "But when Mansell started winning, sales picked up enormously."

Supporting Mansell's progress in person requires a substantial commitment of the wallet for private and corporate punters alike. The basic admission price is £50 on race day; an additional £100 secures a seat in the grandstand.

While most corporate hospitality is handled by agencies such as Keith Prowse, Silverstone Circuits offers its own direct hospitality package – at £250 a head.

When ground rent payable by stallholders selling everything from T-shirts to tow ropes is taken into account, total receipts accruing to Silverstone Circuits are believed to approach £20m, although the figures are not released.



Colin Beere

Fast work: The Williams team in the Silverstone garages, preparing Mansell's car for the British Grand Prix. Sheridan Thynne, Williams's finance director, looks on

The profits do not end up consolidated in the accounts of some large leisure group. Silverstone Circuits is owned by the British Racing Drivers Club and is charged with ploughing the proceeds into circuit facilities and subsidising the lower-profile club racing on which Mansell and all his grand prix colleagues cut their competitive teeth.

Mansell himself loves Silverstone. He regards it as his spiritual home and it has been the scene of some of his greatest triumphs – not least a crushing victory there last year. With time running out at the age of 38, he now has his best chance yet of winning the world championship. He won the season's first five races in a row – unprecedented in grand prix racing – and then came second in Monaco to his arch-rival Ayrton Senna of Brazil, driving for McLaren-Honda. He failed to finish in the Canadian grand prix, but scored his sixth victory in France last weekend.

That win brought his total tally of victories to 27 – equalling Jackie Stewart's 19-year-old record.

Yesterday he was at Silverstone driving his 700-horsepower Canon-sponsored Williams-Renault FW14 B for the first practice.

Typically, he is still trying hard to damp down what he says is an erroneous, if widely held, assumption that he has the championship in the bag. "I've only won 66 points and there's another 90 points to win." Realistically, he says, "we know we'll get beaten sometimes in the next few races".

The dour, lugubrious manner in which he doles out such sentiments, and frequent comments on mechanical shortcomings, have contributed to a widespread media image of Mansell as a "whinger" – an image hotly contested by his team.Sheridan Thynne, Williams's long-standing finance director, says: "What the press interprets as whingeing is actually Nigel demanding the highest standards."

It is understandable that Williams and executives of Renault, the French state-owned motor company that supplies his engines, should be so supportive of Mansell. For Williams, this year's world championship would be its first since 1987 and would greatly facilitate Thynne's task of raising the more than £20m which, he says, Williams needs for each season's racing.

About 90 per cent of that comes from sponsorship. With the possible forced retreat of the tobacco companies, because of threatened broadcasting restrictions, the hunt for more sponsorship may soon become anxious. They provided the lion's share of grand prix teams' funding.

The French anti-smoking lobby came close to blacking out the French grand prix last weekend, winning a court ruling that for every tobacco name or image broadcast, TFI television would be fined £1,000. TFI broadcast anyway, and on the basis of the 1,250 such images shown on the preceding Canadian grand prix, stands to be fined more than £1m.

It is away from the race tracks that a triumph by Mansell, Renault and Williams over Honda would be most deeply appreciated. In the boardrooms and research and development departments of Renault and other European car companies, victory would be seen as the best possible riposte by a European motor industry frequently depicted as withering under an unstoppable technological onslaught from Japan.

Crown is referred to police in ferry row

By Tim Burt

THE LEGAL wrangle over one of the oldest ferry routes in Europe took a new turn yesterday after the operators of the cross-Thames service announced that they had passed files to the police alleging that the Crown Estate could be prosecuted if it forces the closure of the service.

The rights to the crossing, which has been operated without interruption since 1086, are owned by the Crown Estate. It has told White Horse Ferries, operators of the Tilbury-Gravesend ferry service, to stop journeys on the route.

The Crown Estate, which manages property owned by the sovereign, says the route licence held by the previous operator – Sealink Stena – was non-transferable. White Horse took over the service last year.

The company has defied the order to halt services and is seeking damages for loss of revenue and a fall in passenger numbers caused, it says, by the Crown Estate's action.

White Horse has now sent to the police details of legal judgments indicating that the commissioners acting for the Crown Estate may risk committing an offence if the service is closed. White Horse says it is an offence if a ferry owner breaches its common-law obligation to operate a service.

Essex police confirmed yesterday that they had received the documents.

Copies of the judgments have also been sent to the Crown Estate. An official said the commissioners were seeking legal advice.

Talks aimed at resolving the dispute failed to reach agreement last week. The Crown Estate denies that it has an obligation to maintain the service if White Horse is forced to withdraw its ferry.

The official said the Crown Estate wanted to renegotiate a licence with White Horse.

Audit regulators debar two members

By Andrew Jack

TWO CERTIFIED accountants were debarred from conducting audit work during the first six months of the new self-regulatory mechanisms established by the government last year, it emerged yesterday.

Officials at the Chartered Association of Certified Accountants have restricted the practising certificate of two of their members since audit regulation work began in October.

The figures emerge in the first submission to the Department of Trade and Industry on audit regulation until the end of March, during which 94 visits took place among the 3,000 certified accountants registered to conduct audits.

Separately, the joint monitoring unit, which scrutinises auditors registered with the three Institutes of Chartered Accountants in England and Wales, in Scotland and in Ireland, has made no disqualifications.

Its more up-to-date figures show that the unit has refused to register as auditors 1,108 accountants from the 10,509 who had applied up until last week.

The unit has carried out 44 visits to determine whether to register accountants as auditors, and 80 visits to those already registered. That includes 13 in response to complaints and 49 that were routine. It has pledged to visit all the auditors of listed companies every five years. There are 163 such auditors.

The Chartered Association of Certified Accountants yesterday refused to give the names of the two accountants who were debarred. The DTI launched the new mechanism of regulated auditors through the professional accountancy bodies in October. Some critics have said it is impossible for the bodies to regulate their own members, but the officials have called for time to prove their effectiveness.

All-seater soccer scheme modified

By Tim Lawrence

THE government has backed down over its plan to make all soccer clubs in England and Wales install all-seater stadia by the turn of the century.

Mr David Mellor, national heritage secretary, whose department has responsibility for sport, said yesterday that clubs in the Second and Third divisions will be exempt from the policy to scrap terracing. Those were the clubs that were in the Third and Fourth division until the recent introduction of the Premier League.

Clubs from the Premier League and the new First Division will still have to provide all-seater stadia by 1994, as recommended by Lord Justice Taylor's report after the 1989 Hillsborough disaster.

The Football League, which organises all clubs in England and Wales outside the Premier League, welcomed the decision, saying it would considerably ease the financial burden on clubs. A survey by the Football League estimated that it would cost Second and Third division clubs £77m to implement the Taylor report.

Mr Mellor warned Second and Third Division clubs not to see it as an "easy option". Terracing would have to meet high safety standards, he said.

The Football League said it would encourage its members to "work towards a greater amount of seating and an upgrading of terraced accommodation".

The government hinted at a change of heart at the beginning of June, when Mr Mellor – a Chelsea supporter, like the prime minister – announced that he was going to reconsider the all-seating requirements.

Mr Tom Pendry, chairman of the all-party parliamentary football committee, described the announcement as "a show of good sense and responsibility".

In Scotland, the decision that First and Second division clubs should be all-seated by the turn of the century is being reviewed, with an announcement expected in August. Scottish Premier League clubs will have to introduce all-seater stadia by 1994.

Mr Peter Popper, a director at Higgs & Hill, the construction company that specialises in sports stadia, said Mr Mellor's announcement would not significantly effect the construction industry.

"Because smaller clubs will not be building stadiums they could never afford, they may be encouraged to make more ground improvements than was previously the case," he said.

Many clubs in the Second and Third divisions are believed to have delayed efforts to introduce all-seater stadia in the hope that the government would abandon its plans.

Law for whistleblowers revealed

By Catherine Milton, Labour Staff

WORKERS who blow the whistle on dangerous working practices will be protected from employer victimisation, Mr Michael Forsyth, employment minister, said yesterday..

Unions are likely to see the planned legislation as the first piece of positive employment law brought forward by the four Conservative governments since 1979.

Mr Nigel Harris, executive member of the AEEU engineering and electrical union with responsibility for health and safety, welcomed the move. He said hundreds of AEEU members had been sacked for raising health and safety issues.

The move is partly in response to the European requirement that workers should not be penalised for refusing to obey instructions from their employers that they believe are dangerous. It is also a response to claims by oil unions, after the 1988 Piper Alpha disaster, in which 167 men died, that workers believe they face the sack if they raise health and safety issues.

The new protection means that whistleblowers will have the right to leave their workplaces in the face of "serious and imminent danger". If dismissed they can take their employers to industrial tribunals irrespective of length of service or hours of work. Under present UK law, most workers are barred from going to industrial tribunals until they have served two years.

Mr Forsyth described victimisation of workers who raise safety claims as "totally unacceptable". He said: "I know there is considerable anxiety among the workforce about victimisation."

Mr Ronnie McDonald, chairman of the Offshore Industry Liaison Committee, the newly formed union for North Sea Oil workers, described the announcement as a "publicity stunt". He said the right to take employers to industrial tribunals was not adequate protection, as tribunals had no power to compel employers to reinstate workers.

Cohse, the health union, is developing guidelines to help individuals who are concerned about safety in the National Health Service after several celebrated incidents of whistleblowing.

The union says a recent analysis of whistleblowers showed that all but one had suffered retaliation from their employers and their colleagues.

Mr Forsyth also discussed his plans for action to improve offshore safety in the oil industry. He said that next autumn he expected to put in place regulations that will require operators of offshore installations to demonstrate that all serious safety risks have been comprehensively reviewed and that rigorous controls have been established.

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Mr Lamont's long voyage

THE CHANCELLOR of the exchequer is convinced that there is no better alternative than the policies now being pursued by the British government. What is certain is that there is no alternative for this government but to pursue these policies. Mr John Major has run the flag of the ERM to the top of his government's mast and there it must stay, unless blown away by the economic storms.

Mr Lamont talked enticingly in yesterday's speech to the European Policy Forum of the safe harbour that the UK is set to reach. "Under Margaret Thatcher," he argued, "the 1980s saw huge improvements in the performance of the supply side of the the British economy ... But the unfinished business of the 1980s was inflation. If we can only combine this dynamic supply-side performance with an environment of permanently low inflation, we can build a truly world-class economy ... in the 1990s and beyond."

The voyage will be longer and harder than the chancellor had earlier suggested. But the reduction in retail price inflation, excluding mortgage interest relief, to 4.8 per cent in the year to June 1992 is an achievement. Annual pay settlements are also running at 4 per cent. If the present squeeze continues – and everything suggests it will – underlying inflation may well fall to 2 per cent in the next couple of years.

Albeit welcome, lower inflation will not necessarily bring recovery nearer. In the debt-laden housing market, the prospect of negligible house price inflation means that those with negative equity will have to save to cover the shortfall. In a highly indebted economy like the UK today, prospects for recovery depend heavily on the level of real interest rates. But unless nominal interest rates fall *pari passu*, lower inflation will raise real interest rates.

Ineffectual summit

Nominal interest rates will not fall soon. What matters most of all is the level of German interest rates, on which the news looks bad. The British economic vessel is, in fact, voyaging between the Scylla of German monetary overshooting and the Charybdis of US dollar depreciation. The extent of the policy divergence was merely underlined at this week's ineffectual summit of the group of seven industrial countries.

The dollar has fallen from DM1.67 in mid-April to DM1.50 yesterday, which is not far from its all-time low of DM1.45. This decline reflects not only the yield gap between German and US short-term interest rates, which is at the unprecedented level of six and a half percentage points, but also the negligible prospect of early US monetary tightening.

Dollar weakness directly undermines UK competitiveness, with overall sterling appreciation of a little under 1 per cent since mid-April. More importantly, it influences the pound's position within the ERM. Sterling's exchange rate against the D-Mark has fallen to DM2.8725 from DM2.945 in early May. This puts it outside its narrow band limits, to which yet again the chancellor has committed the government.

Uncomfortable position

Unhappily, dollar weakness is not the only misery the UK economy has to endure. The Bundesbank is about to reset its monetary targets next week, at a time when German monetary overshooting persists. It finds itself in a most uncomfortable position: if it tightens monetary policy, it will face uproar in Europe; if does not tighten monetary policy, the credibility of its monetary targets will be undermined. In this particular contest, it would be far safer to bet on the monetary tightening, though perhaps in a slightly disguised form.

With such ill economic weather, the chancellor can do little more than offer the hope of a safe arrival in the promised harbour. But he also rejects all alternative routes. On many points, he is unquestionably correct:

- the UK cannot hope to enjoy significantly lower interest rates than Gemany within the ERM;
- a German realignment against other ERM currencies does not look at all likely;
- a sterling devaluation within the ERM is far more likely to raise UK interest rates than lower them; and
- simply leaving the ERM is bound to be seen as yet another British flight into the inflationary never never land.

The only serious alternative would be to leave the ERM while establishing strong domestic institutional arrangements, including an independent central bank, to achieve the goal of non-inflationary growth. This is theoretically possible. There is no *a priori* reason why what New Zealand has managed is impossible for the UK. Nor is it inconceivable that British interest rates would be below the German: by now the interest rates of most developed economies whose currencies are not directly linked to the D-Mark are below the German level.

Nevertheless, any such move would destroy this government's economic policy, its European policy and quite possibly the government itself. The chancellor is bound to remain on his present course for the foreseeable future. But the international weather is getting very rough. The passengers must hope to escape sea sickness or, worse, drowning.

A year of living patiently

Disappointment is the watchword for most international investors, says Barry Riley

It has been so far a year of frustration and dashed hopes for the world's leading stock and bond markets. Anticipated declines in interest rates have by and large failed to happen and predicted profit recoveries have mostly proved illusory.

Sharp movements have, however, been rare. True, the Tokyo stock market has taken a well-deserved further dive, and Hong Kong has soared. But elsewhere the ups and downs of equity markets have been within a fairly narrow range, and the same is true of bond markets.

Now some more optimistic investors are wondering whether the delayed upturn will begin to come through in the second half of the year. But it is probably true to say that the predominant mood is one of mild apprehension, as significant elements of the global economy continue to puzzle the economic pundits and investors worry that Wall Street, after a lengthy tightrope walk, will eventually lose its balance and take a tumble.

At the beginning of the year there were grounds for being bullish. After the economic slowdown of 1991, when growth of the 24 member states of the Organisation for Economic Co-ordination and Development averaged only 1 per cent, inflation and interest rates were expected to fall. Meanwhile economic growth was forecast to pick up, creating plenty of scope for company profits to rise.

To some extent this has worked out, but Europe has been held back by high interest rates arising from Germany's overheating problems, and the recovery in the US has been disappointingly sluggish. The OECD has just trimmed back its 1992 global growth estimate.

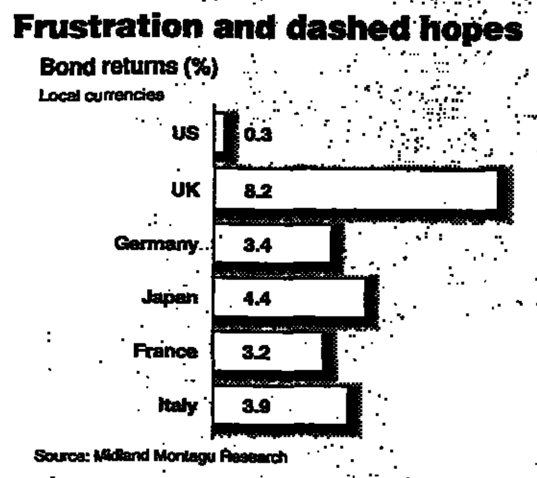
The securities markets have been restrained by two particular factors. First, they have been buried by new issues of both stocks and bonds. Equity issues in the US, for instance, hit an all-time peak of \$41.3bn in the first six months, and international bond issues reached \$143bn. Second, the two biggest stock markets in the world, in the US and Japan, which at the start of 1992 represented some 70 per cent of global stock market value, simply appear to have been too pricey.

Japan has embarked upon the second stage of the puncturing of its 1980s bubble market which had reached its maximum stage of over-inflation at the end of 1989. The Nikkei average had already fallen from 39,000 to 23,000 in the first two years of the shake-out. Now it has fallen even further, to less than 16,000 at one stage in June.

On Wall Street the popular impression has been of further progress, with the Dow Jones Industrial Average hitting several new highs, culminating in an all-time peak of just over 3,400 at the beginning of last month. In fact the broader market indicators have moved sideways at best: the FT-Actuaries US Index of 522 leading stocks is slightly lower on the year so far (and has moved within a remarkably narrow range). To foreigners, Wall Street's performance looks still worse than this because the dollar has been edging lower.

The dollar's slide, which has intensified in recent weeks, reflects the fall in short-term interest rates which has been the notable feature of US economic policy in the year so far. But long bond rates have actually been edging higher, boosted by the high pace of government borrowing. The recent cut in short rates to 3 per cent, the lowest figure for 29 years, has been associated by many investors more with desperation than with inspiration.

Frustration and dashed hopes



Source: Midland Montagu Research

Market change since start of 1992 (%)
Local currencies

France	7.08
Germany	9.20
Italy	-10.07
Netherlands	7.30
Switzerland	13.27
UK	0.89
Australia	-0.20
Hong Kong	44.46
Japan	-25.25
US	-1.25

Based on July 8, 1992
Source: FT-Actuaries World Indices

Returns in the Japanese bond market have also been unexciting. The yield on Japanese government bonds, at less than 5¼ per cent, is already the lowest in any big national market. In Germany, usually the international investor's favourite for hard-currency investments, yields have been kept up at about 8 per cent by the weight of official borrowing, together with concerns about inflationary trends in the wake of unification.

The German factor has dominated the European region, with an unexpected twist in early June when the Maastricht treaty was rejected by Danish voters. That brought an abrupt end to the "convergence" phase which had brought disparate European national bond market yields closer together in anticipation of eventual monetary union.

Some of the more financially marginal countries like Spain and Italy were hit hardest. Their bond yields jumped and Italy was even forced to raise its short-term rates by a percentage point last weekend. The UK was affected too, but overall the main factor influencing British markets has been the unexpected Tory victory in the April election. The impact has propelled the gilt-edged market to the very top of the international bond market performance table for the first half of the year. UK equities looked good at one stage, but they have suffered a serious setback since mid-May because of concern about fading economic recovery hopes.

Equity investors have become subdued elsewhere too. There are worries that business activity is being suppressed by financial problems in the US and Japan and by the dampening impact of high D-Mark interest rates in Europe. At the start of 1992 there were hopes that D-Mark rates might be coming down, but few now expect them to move much before the end of the year.

International investors seeking excitement have been driven out to the fringes: to Hong Kong, where the colony is thriving on the back of the quiet capitalist revolution in southern China, and to South America, where until last month emerging markets specialists were feeding eagerly on fragile bull markets in Argentine, Brazil and Colombia. However, last year's shooting star, Mexico, has been going backwards fast since the spring.

After enjoying a decade of generous stock market returns in the 1980s, professional investors are concerned that more cautious strategies may be appropriate for the 1990s. Although foreigners keep hoping that Tokyo is close to the bottom, many have already burned their fingers badly by prematurely moving money back into Japanese stocks last year. There is a widespread fear that the Nikkei average may lurch down to 12,000 or even 10,000 before it finally bounces off the bottom.

As for Wall Street, the torrent of retail money flowing into the stock market continues to perplex professional fund managers and undermine their concepts of how to price stocks. So-called "value" managers complain that they have to go back to the notorious "nifty fifty" days of 20 years ago to find stock market data on which their computer models will choke so badly.

The reason is that many American savers have been stunned by seeing returns on certificates of deposit collapse this year to a dismal 3 per cent, and have transferred the money into bonds, stocks and mutual funds in search of a more acceptable return. Net new investment in stock mutual funds has been running at something like \$7bn a month.

US stock prices have therefore been pushed up beyond generally accepted fair value. The backward-looking price/earnings ratio on the best-known broad market index, the Standard and Poor's 500, stands at an amazing 28. It is true that analysts are expecting a huge earnings bounce this year, possibly as high as 50 per cent, partly reflecting the prevalence of one-off provisions against company earnings during the recession last year. But there is inevitably nervousness as a sluggish economic recovery casts doubts on whether that assumed profits surge can be achieved. And even if it happens on the calculated scale, the market would still look rather expensive in historical terms.

The unusually high stock market ratings have caused corporate treasurers and new-issue promoters to rub their hands and generate the blizzard of new offerings, to the extent that in recent weeks the appetite of investors has finally appeared to be sated. This can be seen as the reduction of the US corporate sector's debt after the financial excesses of the late 1980s. It may also be interpreted as the eager exploitation by corporate America of an overvalued stock market.

We are now in the often seasonally unexciting summer period, leading up to September and October which have sometimes produced panics and crashes in the past. Many national stock markets perform significantly worse in the second six months of the year. On the other hand November and December often produce good returns, as investors look forward optimistically to the scope for growth in the new year. A late rally could still turn 1992 from a tedious into an acceptable year for global investors.

The bulls are focusing on the prospect of more rapid economic growth and at the same time generally lower inflation in 1993. The OECD projects that average real GDP growth will recover to 3 per cent and inflation edge down to 3.2 per cent. This environment would be good for bonds and even better for equities, which tend to move on to a higher valuation basis at times of low inflation.

However, this story is getting a little shop-soiled. Mainstream economists seem to have little clue about what is going on in several leading countries: they have got the UK completely wrong and are hazy about what is going on in the US and Japan. Debt problems have to be worked out and are holding back the asset markets: apart from the stagnation in stocks, a more or less worldwide property crash has been going on.

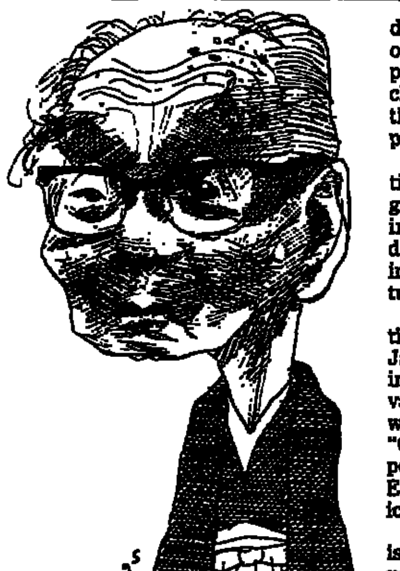
Meanwhile Wall Streeters face political uncertainties: they cannot yet be entirely confident that President George Bush will be re-elected in November, and Mr Ross Perot threatens to create waves that the stock market could find disturbing. As for the US economy, if recovery *does* come through strongly there might be a quick flip up in short rates, and a withdrawal of the retail money which has pushed the equity market to this year's highs. Alternatively, if the recovery fizzles out the earnings projections will be left high and dry and share prices would be vulnerable to a sharp setback.

Too many countries are running excessive fiscal deficits. Without strong economic growth these will get even bigger; budgeted deficits of OECD countries for 1992 have jumped to 3.2 per cent of GDP against 2.4 per cent last year. To an extent this is good for certain kinds of investors, because the torrent of issues (the British government, for instance, now issues gilt-edged bonds in lumps of about £2.5bn at a time) is holding real long-term interest rates high. On the other hand private-sector activity is being damped down by the high cost of capital; share prices cannot be expected to show much strength in these circumstances.

Securities markets have been held in a kind of uneasy equilibrium so far in 1992, and investors hoping for some action may continue to need patience.

MAN IN THE NEWS: ***Taikichiro Mori***

Tycoon with a disdain for cash



Fabulous wealth apparently amounts to nought for Mr Taikichiro Mori, the Japanese property developer who was named this week by Forbes magazine as the world's richest businessman. He acknowledged the announcement with a short, self-effacing statement that a land-price spiral had probably exaggerated his riches.

Mr Mori, 88, is worth an estimated \$13bn (£6.8bn). Most of that money is built into the 82 buildings owned by his private company, Mori Building; little of it has trickled down to the self-consciously simple habits of the tycoon, who brings a lunch box to work.

The alcohol-free Mr Mori lives in a modest but comfortable apartment in an upper-class area of Tokyo. He listens to classical music, watches sumo wrestling, drives a Nissan not a Rolls-Royce, and wears a *hakama*, a traditional pleated skirt, on the three days a week that he now goes to the office. He and Hana, his wife, had an arranged marriage in 1932 and rarely eat out. The executive work of Mori Building is gradually being handed down to their two sons.

Having accumulated his buildings over 33 years – continuing the family landlord tradition – Mr Mori has a dislike for the younger Japanese speculators and their dedication to the accumulation of money, imported luxury cars and French impressionist paintings. While many speculative empires have crumbled in Tokyo over the past year, the cautious Mr Mori has survived in the face of the property-market downturn.

The enigma of Mr Mori and his generation of postwar executives is that such regard for Japanese tradition is combined with an eagerness to bulldoze over the past. Many Mori buildings stand on what used to be one of Tokyo's more colourful districts, full of craftsmen and small merchants. Views differ over whether he has efficiently modernised an ageing city or cemented over its character.

Along with his industrial contemporaries, Mr Mori's disdain for money is balanced by a remarkable ability to create and accumulate wealth. Like the founders of Honda, Matsushita Electric and YKK, the world's largest zipper company, Mr Mori has contempt for fancy financial engineering, and faith in the virtues of "making things" and "contributing to society".

"I became sceptical about receiving unearned income from the renting business. But it was explained to me that, while profits are important, it is more important to contribute to society and make people happy. We will gain profits in accordance with the degree of the contribution," he explained in a recent autobiography.

His desire to contribute grew naturally out of a Japan devastated by the second world war. There was a shared conviction that the defeated country must be rebuilt, physically and spiritually, and there were significant opportunities for those property developers able to convince small landholders to sell in the interests of modernisation and the new Japan.

Mr Mori took over the family business in 1959, inheriting 5,000 sq m of real estate. He left an academic career that had included a specialisation in sericulture, or silk production, and a post as professor of business studies at Yokohama City University. The academic background gave a sense of intellectual distance from the struggles of other developers, and his sophisticated manner helped convince small property owners to take the money or trust in his vision, or both.

Having studied the volatile Japanese textile market during the early 1950s, Mr Mori concluded that companies attempting to make money by exploiting price fluctuations tended to go bankrupt, while those concentrating on the quality of their product were less vulnerable.

"It is the same in urban development and building management. First you think about creating a good environment, not about making money from the land. And once you have started, you can't stop half way. You must believe in your success," he said.

His first 45 office buildings were named by their numbers. Number 1 Mori Building was followed by Number 2 Mori Building, although the nomenclature has since become more creative. He explains that the buildings are "children", in the tradition of Number One Son and so on. The time taken to complete a project, he says, equals that of childhood – from the first negotiations to the christening of one complex takes about 20 years.

Mr Mori believes that construction and redevelopment are a god-given responsibility. It is his belief in this responsibility that has driven an otherwise humble man to impose his will, and his architectural taste, on Tokyo.

The semi-spiritual sense of vocation, along with the "build a strong Japan" nationalism, has been an important source of economic motivation. It is in evidence at YKK, where the corporate slogan is "Cycle of goodness", spreading prosperity to all, and at Matsushita Electric, with its "Human electronics for the benefit of mankind".

Cultivated from a blend of Buddhism and Confucianism, this type of value system is not burdened with reservations about the importance of money as a commodity, but regards the relentless pursuit of money itself to be as destructive of character as excessive drinking or obsessive womanising.

But vaguely defined "goodness", "happiness" and "prosperity" do not explain how Mr Mori managed to deal with the often brutal Japanese gangsters and their demands for protection money, or to argue with his bankers over interest rates. Nor does it explain the lack of remorse at closing down a district's last kimono maker to create space for Number 36 or Number 37 Mori Building.

"In building a new city, the trust of the small landowners is indispensable. You could compare this developer-owner relationship with that between a man and a woman," he said.

"In order to survive in a severe environment, you must contribute to society by making a superior management plan that others can recognise. We should show them the reason for our existence, then we can feel proud."

Robert Thomson

The fall in the dollar has added to the cost advantage of goods in the US, says **Guy de Jonquieres**

The price is all right in America

"I can get it for you wholesale," has long been one of New York City's best-known street cries. Today's foreign visitor might be moved to reply in the words of the Rodgers and Hart song: "I'll take Manhattan."

The recent slide in the dollar has shaken loose a windfall of bargain prices in the Big Apple. Yesterday, the US currency closed in London at $1.92 to the pound, 21 cents below its high for the year in late March.

The good news starts with hotels. A double room at the Plaza, the Fifth Avenue establishment owned by fallen property tycoon Donald Trump, can be had for $246 a night, including taxes. At $1.90 to the pound – the exchange rate used throughout this article – that is 28 per cent less than the cheapest double room at London's Savoy.

On nearby Madison Avenue, the even more exclusive Carlyle Hotel offers a three-course lunch for $29. That works out at two-thirds the price of the £25 set lunch at the Connaught, the Carlyle's nearest London equivalent – though a 20 per cent tip is *de rigueur* at the Carlyle.

For those on a tighter budget, a Big Mac hamburger and french fries goes for $3.55 on Manhattan, 18 per cent less than the £2.27 at a McDonald's in London.

A similar bargain awaits opera-lovers. One of the best seats in the house at the Metropolitan Opera will set them back $110, a one-third saving on the £87 for a front-stalls ticket at Covent Garden.

But if musicals are more to your taste, London still has the edge – just. A front-stalls ticket for Phantom of the Opera at Her Majesty's Theatre costs £31.50, including booking charge, 9 per cent less than for the same show on Broadway.

London also scores heavily when it comes to medical treatment. In New York, where doctors notoriously specialise in diseases of the rich, the cheapest private room at the Tisch clinic costs $893 a night, four-fifths more than the £215 at London's University College Hospital. A typical upper east side dentist, meanwhile, charges $175 for a small filling, half as much again as the £60 demanded by his Harley Street counterpart.

However, New York spectacle prices are a snip. Lenscrafters, a US optical retailer, charges as little as $69.95 for a pair of prescription lenses and frames. But the lowest price at Lenscrafters' outlet in the Lakeside shopping centre in Thurrock, Essex, is £60 – a difference of almost two-thirds.

There are also wide discrepancies in the prices charged by some other retailers with outlets on both sides of the Atlantic. New York is 21 per cent cheaper than London for a pair of Gucci loafers and 33 per cent cheaper for a pair of US-made Timberland shoes.

However, bottles of shampoo and lotion cost almost 50 per cent more at the Body Shop in New York than in London, while there is virtually no difference in the prices of Rolex Oyster Perpetual wristwatches and Hermès ties.

Bargains across the Atlantic

	New York price incl local tax $	Equivalent in Sterling (£1=$1.90)	London price incl VAT £	Saving in £ & % on London price	Effective exchange rate (pre-tax) $/£
Toyota Lexus saloon	50,240*	26,443	36,991**	10,548 (29%)	1.49
Timberland men's shoes	140.73	74.07	110.00	35.93 (33%)	1.50
CD: Queen's Greatest Hits	16.23	8.54	11.99	3.45 (29%)	1.47
Lands' End men's cotton shirt	23.50***	12.37	25.50	13.13 (51%)	0.92
Mail order cost in UK	-	21.44	28.45	7.01 (25%)	1.43
Levi 501 jeans	34.64	18.23	36.99	18.76 (51%)	1.02
Gucci men's classic loafers	297.69	156.68	199.00	42.32 (21%)	1.62
Pentax 38-105mm compact zoom camera	242.48	127.62	199.95	72.33 (36%)	1.32
Nintendo Gameboy	86.59	45.57	69.94	24.37 (35%)	1.34
Sony compact videocamera 'TR 105' in UK, TR 51 in US	865.98	455.78	750.00	294.22 (39%)	1.25

* Includes luxury tax
** Includes special car tax
*** Excludes sales tax

Probably the biggest savings of all are on electronic goods. Differences of at least 30 per cent are common in the after-tax prices of products such as computers, consumer electronic products and compact discs sold in New York and London – and in some cases the differences exceed 45 per cent.

The prices given in the table were obtained this week from similar types of outlets. For instance, prices for the Apple Powerbook were from authorised Apple dealers in both cities, while those for the Sony Handycam were obtained from retailers which advertise discounts on the recommended retail price.

Car prices in Britain, already high by comparison with those in many other European Community countries, look even more exorbitant when set against US levels. Toyota's Lexus luxury saloon, the Japanese carmaker's successful rival to BMW and Mercedes-Benz, sells for 29 per cent less in New York than in London. That is in spite of a recent luxury tax in the US and a cut in the special car tax in the UK.

In most other cases, though, New York prices are flattered by an 8.25 per cent sales tax, which compares with Britain's 17.5 per cent value added tax. H.M. customs also spoils some of the cut-price fun by charging VAT and duty on all imports worth more than £32 purchased in the US.

Yet in spite of these obstacles, ingenious consumers can still make transatlantic shopping pay – without resorting to smuggling. Indeed, they do not even need to leave Britain: they can take advantage of bargain US prices by buying from American mail order houses.

Many appear already to be doing so, to judge by the growing number of inquiries which UK Customs and Excise says it is receiving about the exact rates of duty payable on different types of mail order products imported from the US.

Lands' End, an American mail order house which specialises in casual clothing, recently responded to this growing demand by establishing a heavily-advertised UK sales operation. However, the astute British bargain-seeker would do far better to buy direct from Lands' End in the US (mailing address: 1 Lands' End Lane, Dodgeville, WI 53595).

A men's cotton Oxford shirt listed at £25.50 (plus £2.95 postal charge) in the British Lands' End catalogue sells for $23.50 in the US – less than half the price. Even after import duty, VAT and air mail postage to the UK, the shirt costs 25 per cent less ordered from the US than in Britain.

Such price differences are only partly due to the dollar's recent decline, which in any case takes time to feed through into market prices. Indeed, as the "effective" exchange rates in the table show, many products would still be bargains by British standards, even if the dollar rebounded to $1.50 to the pound – or even higher.

In other words, many internationally-traded goods – particularly those produced in Japan – have long been much cheaper in the US than in Britain. The price discrepancies are too big to be explained away simply by customs duties and transport and distribution costs. Unless one believes that many producers have consistently pursued a suicidal policy of selling in the US at below cost, the obvious conclusion is that British consumers are paying over the odds for internationally-traded goods.

This may partly reflect superior efficiency and lower margins in the US retail trade. But the recent growth in the UK of "grey" imports, such as computers, at prices well below manufacturers' recommended retail prices, suggests producers have also sought to segment the market by charging widely varying prices in different countries.

EC competition rules prohibit differential pricing of identical products between Community countries. In theory, it ought not to occur on a large scale or over long periods in an efficient global market. Instead of marvelling at how low prices are in the US, perhaps British consumers – and competition authorities as well – should be asking some pointed questions about why they are so high at home.

Meanwhile, they can always console themselves by taking a trip to Florida's Disneyworld: a one-week flight and hotel package for two adults and two children costs £1,900. That is £700 more than a four-night package trip to Eurodisney, just outside Paris. But the Florida trip works out £30 cheaper on a daily basis, the cost of living is much lower than in France – and brilliant sunshine is virtually guaranteed.

New York research by Rivka Nachoma

Turnaround at the table

Recession is hitting restaurants, says **Nicholas Lander**

Had he not been born into a family of hoteliers, *Rocco Forte, chief executive of Forte plc*, would have made a very successful football manager.

That is the conclusion many observers of the hotel and leisure industry, now one of the country's biggest employers, must draw after his two recent signings.

Forte has just recruited Bob Payton, one of the most innovative restaurateurs of the 1980s, to take over the company's aesthetically stunning, but, until now, gastronomically unexciting, Criterion Brasserie in Piccadilly Circus. And on August 3, Nico Ladenis will relinquish his two Michelin stars and take over the stoves in the restaurant at Forte's flagship hotel, the Grosvenor House, to be renamed Nico at Ninety.

Forte's acumen may eventually be proved to be beyond reproach although there is no doubt that both developments carry a considerable risk. But what his competitors are finding hard to digest are the commercial implications – *why have two of the industry's strongest individuals pledged their futures to the leviathan of the industry?*

Ladenis and Payton made their names in an industry that has always welcomed the small entrepreneur. They started in the restaurant trade more than 10 years ago at a time when few other businesses required such a small capital investment and unsophisticated means of production. And for financial reasons, and tax benefits, you could keep it in the family too.

The business became more complicated with the introduction of VAT: the advent of the Inland Revenue's detailed scrutiny of of service charges and the use of part-time staff and the widespread disappearance of cash and its replacement by the ubiquitous credit card. Costs also rose – rents, the business rate and wages – and the 1990 Food Safety Act demanded a considerable level of sophistication and technology.

But there were compensations. Everyone has to eat (a fact that causes considerable envy among the restaurant trade's sister, the drinks business) and eating out became a growth industry. For the well-situated restaurant there were two bites at the cherry every day: business-oriented lunches and social dinners. One of the maxims of the restaurant trade during the 1980s was that if you could secure satisfied customers paying with corporate credit cards at lunch, they would come back in the evening and spend their own money.

For most of the 1980s, restaurateurs made substantial profits. But the trade is so open and competition so fierce – for the most attractive plates, the plushest chairs, the heaviest crystal glassware – that they were quickly spent. Chefs even tried to outdo each other behind the scenes. One restaurant opened in the West End late last year with a range of ovens that cost £100,000. There was little left for the rainy days.

The clouds burst in the late 1980s with the Stock Market crash and recession. Financial controllers put the squeeze on corporate spending, lunchtime bookings disappeared and as, personal disposable incomes were cut, so were the restaurants' evening takings.

The consequence, for the past two years, has been gloom and doom in the restaurant trade. Many have closed permanently; some have changed identity and reopened as brasseries, bistros or trattorias. Many have signed up with American Express in an attempt to improve their marketing – a strategy that five years ago would generally have been regarded as unnecessary. In three months this year, American Express signed up 722 new restaurant customers including a couple of two-star Michelin restaurants.

And yet, in spite of the recession, many restaurants are busier than ever. This apparent paradox hides a significant shift in our attitude to eating out. The reliance during the 1980s on the corporate credit card is today a liability. What today's successful restaurants are doing is

appealing to those who are spending their own money and are doing so with a discrimination not previously associated with the British diner.

Those who enjoy eating out also seem to be combining an eye for economy with continued culinary pleasure. Industry estimates suggest that a household which would previously have allowed £100 per month for two evenings out has now decided to save 20 per cent and spend only £80. But they are simultaneously trading up and to make it a memorable occasion are spending the total on one dinner.

This economy brings with it a natural conservatism. Rather than face disappointment elsewhere many are choosing to return frequently to their favourite restaurant. Once a restaurant has captured such customers the rewards can be significant. A considerable proportion of the restaurants which have opened in London in the past six months have already achieved this – Belgo, L'Accento, Stephen Bull's Bistro, The Square and Snows on the Green. Forte, and his shareholders, will be hoping that Ladenis and Payton will quickly achieve the same success.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Opera was a fine piece of farce

Mr Martin Mills.

Sir, I have just had a chance to read, belatedly, the criticism of *Il Viaggio à Reims*, to which Mark Loppert audaciously put his name (Arts, July 6).

Mr Loppert's admiration for the opera appears to be restricted to its abstract form, that is to say to the "notes and words" on the page. Perhaps he would have been happier to remain at home reading the libretto and imagining how the opera would be performed in the ideal world. Then his idea of a "light-as-air comedy" would not have to be "transmogrified into a tacky hotel caper". However it is John Cox's job to transfer a work from the page to three dimensions and it is unfortunate that his endeavours seem to have caused Mr Loppert and his friends so much pain.

I find it difficult to believe that *Il Viaggio* should be construed primarily as a "vision of human peace, concord and harmony ..."!

While this element is certainly present, much more present is the element of festivity. Mr Loppert winces at its transformation into "bone-achingly tedious farcical sketches" and suggests that these lacked originality; indeed that the hooped petticoat gag, the St Trinian schoolgirls in specs with bowls of flowers gag etc appear in most operas.

I like farce. The rest of the spectators also seemed to like it. I was most of all surprised by the singer's acting ability. How rare it is to see a singer act well and much of the humour came from this quality. As for being one-dimensional, I can only say that the superimposed modern themes were treated with an admirable irony and ambiguity.

Punters in need of laughter, refreshment and a purging of the spirit should attend. Mr Loppert should seek out other means.

Martin Mills,
6a Benbow Road,
London W6 0AG

Goal posts moved to get trains in on time

From Mr Brian McEvoy.

Sir, The Citizen's Charter promised us, among other things, a better service on British Rail. It looks as though it will lead to the opposite.

When I first began to use the Intercity 125 between London and Bristol Parkway in 1975 the non-stop service took 1 hour 4 minutes and occasionally we pipped the hour. Last year the fastest non-stop 125 took a scheduled 1 hour 11 minutes and it was sometimes late. Then came the British Rail Charter ensuring us of punctuality and compensation for delays and what happens? The summer timetable issued last month shows the non-stop 125 service will now take a scheduled 1 hour 22 minutes, the two-stop service 1 hour 30 minutes (previously 1 hour 22 minutes) and the three-stop service 1 hour 37 minutes (1 hour 28 minutes). At a stroke they lose in two critical areas – reduced customer satisfaction and reduced potential utilisation of trains and track by 15 per cent – which makes it even harder for BR to reach its business targets.

The salt was rubbed in the wound by our senior conductor proudly announcing one morning that the service had arrived in Paddington eight minutes early when last month it would have been two minutes late. And station staff in Bristol Parkway have installed a notice board to demonstrate their new "punctuality".

I'm not sure which is more depressing – the transparency of the confidence trick on passengers or the bankruptcy of ideas in British Rail that the only way it can tackle moderately challenging targets is to make the goal posts wider. How will it ever improve?

Brian McEvoy,
Little Wain Wells,
Cuckoo,
Wraxall,
Bristol BS19 1PJ

Commitment to road spending

From Mr Richard Diment.

Sir, You report (Parliament and Politics, July 8) that the Treasury has earmarked the road programme as a "soft" target for drastic cuts in this year's review of public expenditure. I am surprised by this suggestion given that one of the very few quantified spending commitments made by the Conservatives in their election manifesto was to "invest £6.3bn in our trunk road and motorway network over the next three years".

I am sure the prime minister and his colleagues would not condone reneging on such a specific statement from the programme on which they were re-elected.

Richard Diment,
director and chief executive,
British Road Federation,
Pillar House,
194-202 Old Kent Road,
London SE1 5TG

Unworthy contention

From Mr Christopher Angeloglou.

Sir, I write in response to Mr Dominic Lawson's column ("Blood on their cheque books", July 4) to put the record straight on a number of points he raised about pictures published in the Sunday Times Magazine. Colorific represents the New York news and feature agency Black Star which distributed Bruce Haley's photographs from Burma of the killing performed by a member of the Karen National Liberation Army.

It would be inappropriate for *me to comment on the motives* of the editor of The Sunday Times Magazine in publishing the photographs, but I should make it clear that Bruce Haley, like countless news photographers before him, had to make the choice whether to document the events happening before him or to do nothing. *certainly he had no indication* of what was about to happen, and to have attempted to prevent the killing would probably have resulted in more bloodshed. To imply, as Mr. Lawson does, that the events were staged for him is to impute to Haley motives totally uncharacteristic of this photographer.

Haley chose to take the photographs, and I know he feels that their publication (and they have been published in America) might highlight the full horror of such senseless acts of savagery. It is highly arguable whether Haley's presence exacerbated the situation, and I find Mr. Lawson's contention that Haley choreographed the execution unworthy of a journalist of his standing.

Christopher Angeloglou,
editorial director,
Colorific Photo Library,
Visual House,
1 Mastmaker Road,
London E14 9WT

Disturbing

From Mr Christian Estrup.

Sir, Sir Leon Brittan (Personal View, July 1) would like to find a way to reassure the Danes that the Community is not a centralising juggernaut.

What disturbs many Danes is that only the Commission can suggest new legislation. In *matters of importance to Denmark* – for example, violation of fishing rights – the Commission should introduce into the Community system any legislation that the Danish Folketing might wish to put forward.

Christian Estrup,
M & A Consultant,
8370 Hadsten, Denmark

Exchange rate mechanism remains valid alternative to single European currency

From Mr Manfred J M Neumann.

Sir, Mr Charles Bean and seven other professors try to defend the Maastricht road to European Monetary Union (Personal View, July 3) by claiming that the only long-term alternative is a more flexible regime of floating rather than a continuation of the current exchange rate mechanism (ERM). They expect the ERM to become unsustainable on the grounds that it may come under speculative attacks in the absence of capital controls.

However, such attacks are likely only with respect to currencies of countries whose perceived fiscal position becomes unsustainable (eg Italy) or who are hit by a large country-specific real shock. In these rare events, attacks can be prevented by proper realignment. Thus, it seems that the ERM remains a valid alternative to a single European currency, provided realignment is not tabooed and the Bundesbank's lead of monetary policy is accepted.

Bean *et al* also assert that the European central bank (ECB) will be as independent as the Bundesbank. They fail to see that the national governors, serving in the ECB-council, can be made dependent on their home governments by providing them with only a five-year term and a reappointment on conditions to be determined by national legislation. The German central bankers, by contrast, enjoy an eight-year term and can rely on an automatic reappointment within the normal limits of age. Similarly, they can rely on a general reluctance of German governments to manipulate the dollar/D-Mark exchange rate.

Given the interventionist attitude in some EC countries, it is less likely that the Commission will be similarly unwilling to intervene. After all, exchange rate policy can be used to force the ECB on to more expansionary growth.

Finally, Bean *et al* convey the impression that the 60 German economists who criticised the overly hasty Maastricht move to monetary union used the German unification experience as an illustration of the dangers of European union. In fact, the German economists did not mention this experience at all.

Manfred J M Neumann,
professor of economics,
University of Bonn,
Lennestr 37,
5300 Bonn 1,
Germany

COMPANY NEWS: UK

C and W talks with US West threaten BT

By Hugo Dixon and Roland Rudd

CABLE AND WIRELESS, the telecommunications group, is negotiating to sell a stake in its Mercury Communications subsidiary to US West, the North American telephone company, for several hundred million pounds and a stake in TeleWest, US West's cable television joint venture in the UK.

The deal would create a formidable alliance to challenge the dominance of British Telecommunications in the UK. TeleWest, which provides local telephone services would link up with Mercury's long-distance network.

Advisers to both groups said the talks, which have been led by Lord Young, chairman of C and W, and Mr Dick Callahan, president of US West International, were likely to be lengthy.

The move is part of C and W's strategy to seek partnerships with international telecommunication companies for specific projects following the break down of talks earlier this year with American Telephone & Telegraph to form a global alliance.

US West was one of the groups formed following the break up of AT&T in 1984.

Although C and W refused to comment on the negotiations yesterday, Lord Young, said recently: "We are in talks with everyone about the possibility of establishing individual partnerships over individual projects."

TeleWest is a joint venture between US West and Tele-Communications, the US cable television group. It is the largest UK cable operator with 17 franchises serving 2.9m homes.

As part of a deal with C and W, TeleWest would buy more cable franchises.

US West and C and W have already pooled their interests in personal communications networks, the next generation of mobile communications. Advisers said this deal brought the two groups closer together and paved the way for the current negotiations.

The Department of Trade and Industry and Oftel, the telecommunications regulator, are thought to be sympathetic to a deal because it would lead to more vigorous competition for BT.

But US West may need to receive permission from the US regulatory authorities to take a stake in Mercury because it holds an international licence.

Market to be made in HSBC's HK$ shares

By Tracy Corrigan

AFTER SOME last minute arm-twisting, the London Stock Exchange yesterday assembled a group of six market makers prepared to make sterling quotes in HK$-denominated shares in Hongkong and Shanghai Banking Corporation, just hours before they were due to start trading.

On Thursday, the original group of market makers pulled out after County NatWest decided not to make sterling quotes of the HK$ shares. Hongkong Bank's shares are split between the UK (£2.6bn) and Hong Kong (£5.6bn).

The plan to quote sterling prices in the HK$ line, in addition to the new sterling denominated shares, was abandoned because of concerns about low volume, according to several houses involved.

On Friday morning, James Capel, Hongkong Bank's broker, helped arrange group of market makers, comprising Barclays de Zoete Wedd, Cazenove, James Capel, Morgan Stanley International, Smith New Court and SG Warburg.

Sterling quotes on both lines of HSBC shares started at 2.30pm yesterday, after Hongkong Bank's £3.6bn offer for Midland Bank became fully unconditional.

Failure to assemble a group of market makers could have resulted in a change to the planned weighting of HSBC in both the FT-SE 100 and FTA indices, which might have depressed the share price.

In the event, the indices will take quotes from both lines on SEAQ, combined to reflect the capital of the whole company, according to Mr Mark Makepeace, secretary to the FT-SE steering committee.

"We did not know until (yesterday) morning that the decision on marketmaking had implications for the index weighting," said one market maker, adding that this consideration helped tip the balance.

● The London International Financial Futures and Options Exchange (Liffe) yesterday launched equity options on sterling-denominated HSBC shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Etonbrook Props .....fin	2.75	Oct 16	2.75	2.75	2.75
Hilclare § .....fin	0.5	Oct 1	0.5	0.5	0.5
Lister .....fin	0.1	Oct 30	0.1	0.1	0.1
Malvern UK Index ....int	1.7	Sept 7	1.25	-	4.5‡
NMC .....fin	nil	-	2.3	1.25	3.55

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 15 months.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P	–	4	2	Brent Walker Wts to Sub	3		–	–	–	–
425	F.P	–	430	423	British Bio-technology	425		–	–	–	–
130	F.P	–	148	138	Country Casuals	139		W3.5	2.3	3.4	17.0
–	F.P	–	32	21	Dwyer A	21		–	–	–	–
100	F.P	–	98	95	EFM Japan Tst	95		–	–	–	–
–	F.P	–	34	30	Do Warrants	34		–	–	–	–
–	F.P	–	106	86	Grosvenor Inns	86		H4.0	–	6.2	–
–	F.P	–	84	67	Henderson Eurotrust Ord	67		R3.0	–	6.0	–
‡	F.P	–	99	97	Do Units	97		–	–	4.1	–
–	F.P	–	29½	27¼	Do Zero Div Prf	29	–½	–	–	–	–
285	F.P	–	290	277	Kenwood Appliances	283	+1	W7.5	2.4	3.5	15.0
£10⅝	F.P	–	£12¼	£10	Latin Am Inc & Apr 1c	£10		–	–	–	–
–	F.P	–	41	34½	M & G Recovery Inc	35		F3.75	–	14.3	–
[illegible]	F.P	–	25½	12¼	Do Capital	13¼		–	–	–	–
[illegible]	F.P	–	65	46½	Do Geared Units	49	–1	F3.75	–	10.2	–
–	F.P	–	122	96	Do Package Units	104	–2	F3.75	–	4.8	–
–	F.P	–	11	¼	Multitrust Warrants	11		–	–	–	–
325	F.P	–	293	283	The Telegraph	293	+7	N10.0	2.2	4.6	11.6
§122	F.P	–	138	133	Vega	136		L2.29	1.9	2.2	20.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P	-	15p	8p	Brent Walker Var Rte 2nd Prf 00/07	12p	
-	F.P	-	12p	4p	Do 8½pc 3rd Non-Cum Cv Prf 2007/10	5½p	
-	F.P	-	100½p	100½p	Caspen Oil 11% Cnv ULS 94/97	100½p	
100p	F.P	-	109¼p	102½p	Commercial Union 8¾pc Cm Ird Pf	109½p	-¼
100p	F.P	-	109½p	107½p	Fulcrum Inv Tst Zero Div Pf	109½p	+¼
-	F.P	-	59¼p	48½p	M & G Recovery Zero Div Prf 1p	55¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
330	Nil	10/8	45pm	10pm	BSS	10pm	
8	Nil	13/7	¼pm	¼pm	Betacom	¼pm	
205	Nil	19/8	42pm	32pm	Claremont Garments	33pm	+1
82	Nil	1/9	¼pm	¼pm	Cupid 10p	¼pm	
55	Nil	26/8	13pm	13pm	‡Dudley Jenkins	13pm	
69	Nil	21/8	2pm	1¼pm	Monarch Res Units	2pm	
8	Nil	20/7	1pm	½pm	‡Quiligotti	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div Pref share.

TRADITIONAL OPTIONS

● First Dealings July 6
● Last Dealings July 17
● Last Declarations Oct. 1
● For settlement Oct 12

3-month call rate indications are shown on page 11.

Calls in: ASDA, Crest Nicholson, Haemocell, Hartstone, Ibstock Johnston, Ladbroke, Premier, Proteus and Speyhawk. Puts in: Clarke Foods, Medeva and Speyhawk.

Less than half MFI's offer shares taken up

By Maggie Urry

APPLICATIONS were made for less than half the public offer of shares in MFI Furniture Group, the retailer of kitchen and bedroom furniture. Counting had not been completed yesterday, but bankers involved reckoned the level of applications would not be far below the 50 per cent mark.

The company and its advisers had set the offer price at 115p, well below earlier hopes, when it became clear that market conditions were not favourable.

The offer, which closed yesterday morning, was of 136.97m shares, a quarter of the total number of shares sold by MFI and its existing investors. The rest were placed with institutional investors or financial intermediaries.

Shares not taken up in the public offer will be bought by underwriters. Most of the institutions which took shares in the placing also took underwriting in the same proportions.

However, underwriters were able to offset any shares they applied for through the public offer against their underwriting commitments. A number of underwriters did this, making the true level of applications for the public offer lower.

Dealings in the shares start next Friday, July 17. Analysts are hoping that the shares will not open at a big discount because the price was set low in the first place.

Carlton pays $15m for 10% stake in Savoy Pictures

By Raymond Snoddy

Carlton Communications, the television production and services group has paid $15m (£7.8m) to take a 10 per cent stake in Savoy Pictures Entertainment.

Savoy was set up five months ago to become a distributor of movies in the US and was founded by former senior executives of Columbia and Tristar studios before their acquisition by Sony. Mr Victor Kaufman, chairman and chief executive of Savoy is a former chairman of Columbia Pictures.

Mr Michael Green, the chairman of Carlton which last year won the London weekday ITV licence, believes Savoy could become a major force in the film industry.

A more immediate reason for the stake is a five-year output deal with Carlton's film processing and video duplication subsidiary, Technicolor.

Under the deal Technicolor will process Savoy pictures and the company has already agreed a 12-film deal with Home Box Office the US film subscription channel.

Other shareholders in Savoy include Mitsui, and Mr Frank Pice the former chief executive of Universal Pictures.

What everyone wants is a partner for Green

Andrew Bolger reports on the background to Amber Day's recent share slide

FOR A MAN at bay, Mr Philip Green is remarkably chirpy. The chairman and chief executive of Amber Day has seen shares in his discount retailing chain collapse in recent months, reducing its market value from £157m to £51m.

Mr Green, 40, is an ebullient character who elicits strong responses – both positive and negative. He left school at 16 and built his fortune in the clothes trade, selling the jeans company Jean Jeanie to Lee Cooper in the mid-1980s. He owns 7.7 per cent of Amber Day, a stake which has reduced in value by £8m.

The collapse follows a series of bear raids and stories in some Sunday newspapers and Private Eye, which have made hostile comments about Mr Green's business associates, commercial deals – and even the financial affairs of his wife.

Mr Green says these criticisms were scrutinised by his advisers, bankers Samuel Montagu, stockbrokers Smith New Court and auditors Coopers & Lybrand Deloitte, and he has been able to reassure them on all points.

However, bears were given something more substantial into which to get their teeth last month, when Amber Day downgraded profit expectations and announced the departure of its finance director and only non-executive director, both within a year of joining the company.

The downgrade came because sales were running below budget at What Everyone Wants, the Glasgow-based discount chain which Amber Day bought for £46.7m in 1990.

Analysts reduced their profits forecast for the year to August 2 from more than £14m to below £12m. That is still ahead of last year's figure of £10.1m, which itself was triple the previous year's level.

Mr Green had been criticised over the lack of consultation and irregularity of board meetings by Mr Leslie Warman, the former Lloyds Merchant Bank director. Mr Warman was appointed as non-executive director at the time of last summer's £24.4m rights issue, at the behest of the institutions.

Philip Green: still chirpy despite the collapse in the market value of his company

Mr Green said Mr Graham Coles, the finance director, was headhunted by a bigger company, First Leisure, and the timing of the announcements was an unfortunate coincidence.

However, an adviser to the company said: "What upset the finance director and non-executive was that Philip Green was running around doing all these deals without letting them know what was going on. But we are satisfied that these deals have been done for the benefit of the company."

Mr Green said: "Amber Day is not a one-man band, but you do have to be very hands-on in this business."

Mr Green certainly proved too hands-on for the founders of What Everyone Wants (WEW), Mr Gerald Weisfeld and his wife, Vera. Although they agreed to stay on the board of Amber Day for two years after selling their company, the Weisfelds resigned after nine months and sold their 16 per cent stake following policy disagreements.

Despite this alarming turnover at boardroom level, Mr Green has kept almost all of WEW's 2,000 employees. His financial advisers and employees in Glasgow pay glowing tribute to the way he has enhanced the performance of WEW's 54 stores, which are mainly in Scotland and the north of England.

Watching Mr Green going into his main store in Glasgow's Argyll Street is to see a man in his element. He knows the supervisors by name and immediately starts quizzing them about which lines are moving and criticising the display of some items.

Mr Green has appointed five regional managers and is installing a labelling system which will give weekly reports of stocks and sales in every store.

Ms Elaine Gray, Amber Day's buying director, joined the Weisfelds straight from school. She said: "In the old days, we were flying by the seat of our pants. On Mondays we used to get an overall stock figure – but no breakdown of what lines were selling where."

Both Mr Green and Ms Gray acknowledge the achievement of the Weisfelds, but say their policy of buying up other retailers' and manufacturers excess stock would have faltered in recession, as production runs and overstocking fell.

Mr Green blames the recent profits downgrade partly on discounting by more upmarket competitors and partly on the fact that WEW has not always been fully stocked with basic items such as socks and lingerie.

His response has been to place firm advance orders for an increasing proportion of the stores' merchandise – much of it from the Far East, which he knows well.

The principal trading concern about WEW is that as it grows it will need further controls and overhead costs, squeezing the stores' profits margins, which rely largely on low wage and property costs.

Mr Green is confident that more profits can be obtained from the present stores by improving the buying and allocation functions. WEW's break-even figure is estimated at 70 per cent cent of current turnover levels, and Mr Green is confident that he can increase annual sales per sq ft from £135 to nearer £180.

Mr Green sees no end in sight to the present recession, and is not counting on recovery to achieve his targets. Even when any upturn comes, he does not believe people will stop wanting to buy bargains.

The main question mark over Amber Day, however, concerns Mr Green himself, who has agreed to split his role with a new chairman. It is clear his financial advisers are seeking someone with a strong City background. It is even clearer that if Mr Green and the new chairman cannot work together, then the blame is unlikely to laid at the door of the new man.

One adviser said: "It is really a case of taming Philip Green. You need a bloke on top who says 'you can't go off and do these deals without involving the rest of management.'"

His backers stress that they are anxious not to lose what they call Mr Green's "Factor X", his ability to strike deals on merchandise which attract shoppers into the stores. One estimated that Mr Green's deal-making flair was directly responsible for about 15 per cent of the group's profits.

Cynics suggest that institutional shareholders are not too unhappy to see Amber Day's share price at its present low level, since it will be cheaper to oust Mr Green, should that become necessary.

One adviser said: "We've got a battle plan for dealing with Philip without stifling him." The new chairman will handle relations with the press and shareholders.

Mr Green said he was wary of being set up, but was confident that he could work well with a new chairman. His parting words were defiant: "I've always wanted the chance to build something. I should be given the opportunity to prove what a good business this is."

If Mr Green can work alongside whoever is appointed as chairman, his many critics may well be confounded. If not, expect further boardroom ructions at Amber Day.

Costain share sale triggers fall in price to lowest for 16 years

By Andrew Taylor, Construction Correspondent

COSTAIN, the troubled British construction group, yesterday denied it was having difficulties with its bankers after the company's share price slipped to its lowest level since 1976.

The shares fell by 8p to close at 30½p last night compared with 220p just 16 months ago and a peak of 366p in autumn 1987.

The latest slide appears to have been prompted by the sale of a large tranche of about 400,000 shares through the London arm of a large US investment bank.

At one point Costain's share price fell to 29p yesterday, the lowest it has been since December 1976. The fall led to increased speculation in the market about the state of the group's finances prompting the denial that Costain was in problems with its bankers.

Mr Tom Slee, finance director, said: "We continue to have very amicable relations with our banker and nothing has happened to change this."

Costain, in a bid to reduce its borrowings, announced at the end of last month that it would be selling a stake in its profitable Australian coal mining subsidiary which it intended to float later this year.

Mr Slee said last night that a statement giving further details of the flotation was expected in the next two to three weeks.

Costain failed to pay a final dividend after making a pre-tax loss last year of £69.2m. It sold its British investment property portfolio in December for £101.3m in an earlier move to reduce borrowings.

Net debt at the end of last year had fallen by £143m to £168m reducing gearing from more than 100 per cent to 53 per cent.

The figures, however, excluded £52m of off-balance sheet debt on the proposed Spitalfields office development in east London and £38m of convertible preference shares.

Mr Slee said that borrowings, which normally increase during the first half of the year, had risen to £208m by the end of June. This was £20m less than had been expected. The increase was also lower than at the same stage last year. This was before taking any account of proceeds from the Australian flotation.

Oceana regrets lack of co-operation by Etam

By Andrew Jack

OCEANA, the South African-controlled investment company, expressed regret in its annual report yesterday that the management of Etam, the fashion retailer for which it made an unsuccessful hostile bid last year, was not co-operating with it.

In his statement in the report, Mr Stanley Lewis, Oceana's chairman, said: "Our only regret is that we have thus far been unable to persuade the board of Etam to meet and discuss how our experience and expertise through board representation can be made available. This is disappointing."

Oceana launched a bid for Etam in June last year, but only managed to raise its stake to 34.4 per cent.

Etam resisted the bid, and has requested the Financial Reporting Review Panel, the UK's accounting standards watchdog, to inspect the accounts.

As predicted in its preliminary statement earlier this year, Oceana has used equity accounting to include 34.4 per cent of Etam's profits for the second half on its own profit and loss account.

The accounting policies state that it is Oceana's policy to equity account for earnings and tangible net assets for its investments in Etam, as well as two other companies, Gidma and Handbags. It has changed its policies to writing goodwill off immediately against reserves. It has written off £17m in goodwill in the year to March 31, leaving an unrealised gain of £9.8m which has not been credited to the revaluation reserve.

Molins settles six-year US patent infringement suit

By Andrew Baxter

MOLINS, the tobacco machinery maker, said yesterday that it had agreed a settlement in a six-year US patent infringement suit, the roots of which lie with the company's pioneering work on flexible manufacturing systems (FMS) in the 1960s.

Molins has agreed terms with Cincinnati Milacron, one of the biggest US machine tool makers and one of the principal defendants in a lawsuit based on the exploitation of a system fundamental to factory automation – the centrally-controlled linkage of different machine tools.

Although terms were not disclosed, Molins said it considered the outcome of its negotiations with Milacron to be satisfactory, justifying "the confidence which it has consistently expressed in the strength of its legal position."

Molins' royalties fight has been overshadowed in the past four years by five attempts from hostile shareholders to win control. Last night, the company said the deal would not have a major impact on its profits, but did involve an unspecified payment.

The settlement with Milacron comes a few weeks after the death of Dr "Theo" Williamson, who pioneered the development of numerically-controlled machine tools while working with Ferranti, before joining Molins in 1961.

At Molins he developed System 24, which was launched in 1967 and linked tasks previously carried out by separate machine tools. In the early 1970s, however, Molins pulled out of further development of System 24, and let its FMS lapse except those covering the US.

Since 1986, Molins has been trying to enforce its FMS patents in the US courts. Litigation is continuing with other defendants, principally Kearney & Trecker, the US machine tool company now owned by Giddings & Lewis, and a number of German machine tool suppliers.

In 1991, Molins had a trading profit of £300,000, on sales of £8.3m, in its "other activities" – licence income, the net cost of its research centre, and several small business ventures.

It is actively pursuing its licensing programme, and last year granted licences to two non-US users of FMS Equipment, Mercedes-Benz and Fanuc, for the import into the US of FMS-made goods. The German and Japanese companies joined FMS users such as Ford, Caterpillar and General Motors, and machine tool makers Litton Industries and Mandelli, in negotiating licences with Molins.

Greene King extends its £103m bid for Morland

By Roland Rudd

GREENE KING, the East Anglia based brewer, has extended its £102.6m hostile bid for Morland, the Thames Valley brewer, until Friday, July 24.

The offer was to have closed yesterday. But Greene King said it wanted to give investors more time to make their decision following the recent ruling from the Takeover Panel preventing it publishing its results for the year to May 3.

The Panel decided that publication of the results, due to take place yesterday, could have affected the outcome of the bid. Greene King has 46.9 per cent of Morland.

In a separate move Morland sent a circular to shareholders accusing Greene King of not being "entirely frank" in its documents.

Sir Humphrey Prideaux, chairman of Morland, said: "Its difficulty is that Morland, we believe, is a far more successful company . . . It [Greene King] has therefore, had to resort to the absurd suggestion that past and current performance of a company are no guide to its future."

Morland has forecast pre-tax profits of £7.6m for the year to September 30, compared with £5.5m.

Over the past few weeks Greene King has been challenged by Morland to issue a similar profit forecast for the year which was why Greene King wanted to announce its full year results.

IBM terminates distribution contract with Technology

By Alan Cane

INTERNATIONAL Business Machines, the world's largest personal computer manufacturer, has decided unilaterally to terminate its distribution contract with Technology, a leading UK personal computer reseller which was acquired last week by ICL.

A second large computer manufacturer, Digital Equipment Corporation (DEC) of the US, will not renew its contract with the UK distributor in view of the takeover, but is continuing to supply it without contract until the end of September.

An urgent meeting has been arranged between Mr Peter Bonfield, ICL chairman, and Mr Geoffrey Shingles, DEC (UK) managing director, to resolve the situation.

Mr Derek Lewis, chairman and chief executive of Technology, said IBM had decided to terminate the contract without discussion. He believed IBM was wrong to do so and the company would be contesting the decision legally.

He said he was surprised by IBM's response to the change of ownership although he had been aware that the controversial nature of the takeover could cause problems with his existing suppliers. It would have meant that ICL would have been marketing rival products in competition with its own.

ICL bought Technology for about £30m with the intention of becoming the largest supplier of pcs in the UK, ahead of the US makers IBM, Compaq and Dell. Technology's suppliers include Compaq and Toshiba of Japan. Mr Lewis said he understood that ICL, a wholly-owned IBM subsidiary would be happy to supply Technology with its products.

ICL, which is based in the UK but owned by Fujitsu of Japan, has remained profitable throughout the recession while IBM's revenues and profits have declined.

IBM was not available last night to discuss the severance of the contract.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.07.92: Pool purchase price £/MWh	Final Prices for Trading on 13.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.81	19.44	21.48
0100	20.07	19.43	21.45
0130	20.07	19.43	21.44
0200	20.07	19.43	21.44
0230	20.07	19.43	21.45
0300	20.07	19.43	21.46
0330	20.07	19.43	21.45
0400	20.07	19.43	21.45
0430	20.07	19.43	21.45
0500	19.88	17.82	17.52
0530	19.73	17.55	17.56
0600	19.73	17.56	17.55
0630	19.94	19.50	21.59
0700	19.94	19.50	21.63
0730	21.79	19.79	21.87
0800	22.69	23.77	26.01
0830	23.28	23.53	26.06
0900	26.04	24.63	26.87
0930	26.78	25.93	28.20
1000	27.33	26.01	28.27
1030	27.98	28.01	28.23
1100	27.98	26.07	28.17
1130	28.00	28.01	28.17
1200	28.00	25.93	28.11
1230	28.00	25.93	28.12
1300	27.98	25.83	28.13
1330	26.78	24.38	26.63
1400	26.02	23.83	25.98
1430	24.91	23.83	26.00
1500	24.91	22.96	25.10
1530	23.50	22.75	24.85
1600	24.19	22.75	24.88
1630	24.19	22.75	24.88
1700	24.91	22.96	25.09
1730	28.67	26.01	28.24
1800	28.67	32.69	36.06
1830	28.67	32.69	36.05
1900	28.67	32.65	35.17
1930	24.91	26.01	26.27
2000	23.28	22.96	25.10
2030	23.28	22.64	24.78
2100	22.43	22.64	24.79
2130	27.98	26.28	28.56
2200	28.00	26.28	26.53
2230	28.00	26.28	28.50
2300	27.88	26.28	28.82
2330	22.43	22.64	24.79
2400	21.79	21.00	23.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69/MWh becomes 1.669p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

M T W T F S S

ECONOMIC DIARY

TODAY: Mr Boris Yeltsin, Russian president, visits Helsinki for state visit following Munich summit.

MONDAY: Food facts (first quarter). Capital issues and redemptions (June). US housing completions (May). Economic and finance ministers of the European Community meet in Brussels. Start of two-day meeting of EC agriculture council in Brussels. Election of new Indian president. US Democratic national convention in New York (until July 16).

TUESDAY: Finished steel consumption and stock changes (first quarter). Index of production (May). Producer price index numbers (June). US consumer price index (June); retail sales (June) and real earnings (June). British Airways and Courtaulds hold annual meetings.

WEDNESDAY: Index of production and construction for Wales (first quarter). US industrial production, capacity use (June). Talks resume in Ulster on the future of Northern Ireland. Japan and Russia discuss ways of settling a territorial dispute over four islands north of Japan. Overland trade between India and China resumes.

THURSDAY: Labour market statistics: unemployment and unfilled vacancies (June-provisional); average earnings indices (May-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Public sector borrowing requirement (June). Provisional figures of vehicle production (June). US jobless claims; housing starts, building permits (June). Mr Juergen Moellemann, German economics minister, attends Budesbank meeting. Greece becomes a full member of the Western European Union. Czechoslovak parliament holds second round of presidential elections. London Industrial holds conference "The future of Small Businesses in London" in London. Annual meetings of Reed International and Mirror Group Newspapers.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Friday July 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Jul 9 Index No.	Wed Jul 8 Index No	Tue Jul 7 Index No	Year ago (approx) Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (177)	792.90	-0.6	7.43	5.66	17.25	16.81	797.96	795.14	805.60	802.71	929.04	20/5	739.74	10/1	1038.07 16/7 /87	50.71 13/12/74
2 Building Materials (22)	880.05	-0.7	6.16	6.37	22.09	25.24	886.35	883.66	890.51	1021.01	1121.52	11/5	872.32	10/1	1381.08 16/7 /87	44.27 11/12/74
3 Contracting, Construction (28)	760.14	-1.7	4.58	7.87	47.97	24.60	773.46	772.72	782.27	1133.38	1069.64	11/5	760.14	10/7	1951.50 16/7 /87	71.48 2/12/74
4 Electricals (9)	2392.53	-1.9	7.23	6.31	17.91	68.82	2437.68	2442.03	2449.53	2280.07	2758.50	22/5	2296.79	2/1	3040.80 8/9 /89	84.71 25/6 /62
5 Electronics (28)	1985.28	+0.2	8.02	4.39	15.78	9.16	1981.36	1976.99	2000.42	1717.57	2080.64	13/5	1655.93	13/1	2308.22 19/5 /89	1229.01 8/10/65
6 Engineering-Aerospace (6)	327.53	+0.2	11.13	7.96	11.37	11.27	326.93	329.21	325.90	406.70	406.10	20/5	313.50	14/2	502.42 13/6 /90	313.50 14/2 /92
7 Engineering-General (43)	481.98	+0.2	8.49	5.00	14.59	9.46	480.78	476.28	481.69	433.31	567.62	20/5	455.80	2/1	567.62 20/5 /92	339.57 23/1 /91
8 Metals and Metal Forming (8)	306.78	-1.7	5.57	7.20	26.20	3.60	312.20	312.49	313.97	436.71	379.31	18/5	295.34	10/1	596.67 9/10/87	49.65 6/1 /75
9 Motors (14)	344.03	-0.7	7.72	6.84	17.05	10.04	346.53	336.75	338.35	304.11	403.06	21/5	277.78	10/1	411.42 13/10/87	19.91 6/1 /75
10 Other Industrial Materials (19)	1668.67	-1.0	7.44	4.95	16.19	34.69	1686.32	1685.76	1731.13	1525.48	1906.65	11/5	1495.50	2/1	1906.65 11/5 /92	277.55 15/1 /81
21 CONSUMER GROUP (188)	1588.67	-0.4	7.66	3.61	16.03	23.94	1594.83	1574.17	1585.61	1467.65	1761.38	11/5	1565.23	8/4	1761.38 11/5 /92	61.41 13/12/74
22 Brewers and Distillers (24)	2077.20	+0.5	7.97	3.52	15.13	29.35	2067.14	2017.72	2039.12	1789.91	2278.85	11/5	1938.05	8/4	2278.85 11/5 /92	69.47 13/12/74
25 Food Manufacturing (19)	1237.74	-0.2	8.71	4.27	14.20	23.82	1239.96	1238.95	1244.05	1169.32	1327.80	11/5	1212.43	8/4	1327.80 11/5 /92	59.67 11/12/74
26 Food Retailing (18)	2758.07	-0.9	8.85	3.31	14.73	44.70	2783.48	2769.09	2799.66	2661.57	2998.16	18/5	2293.80	10/1	2998.16 18/5 /92	54.25 11/12/74
27 Health and Household (24)	3837.92	-0.6	7.19	2.76	15.85	37.81	3861.52	3770.71	3760.87	3555.82	4654.94	14/1	3680.94	2/7	4654.94 14/1 /92	175.38 28/5 /80
29 Hotels and Leisure (18)	1193.67	-0.5	6.73	5.73	19.32	23.55	1199.36	1191.26	1202.89	1212.78	1450.36	13/5	1191.26	8/7	1845.77 8/9 /89	54.83 9/1 /75
30 Media (26)	1515.77	-0.3	6.41	3.46	19.32	25.88	1520.90	1513.34	1523.65	1398.11	1721.09	11/5	1402.70	8/1	1721.09 11/5 /92	1166.91 16/1 /91
31 Packaging, Paper & Printing (17)	764.59	-0.6	6.72	4.32	18.04	14.67	768.98	759.38	767.01	701.98	875.53	13/5	714.55	2/1	875.53 13/5 /92	43.46 6/1 /75
34 Stores (33)	986.79	-1.0	7.66	3.75	17.24	16.22	997.15	993.57	1012.53	918.24	1135.66	27/4	941.79	3/4	1160.58 29/7 /87	52.63 6/1 /75
35 Textiles (9)	654.80	+0.9	7.04	4.73	17.95	14.72	648.85	648.94	649.70	538.30	756.70	8/5	587.29	8/1	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (118)	1254.32	+0.2	9.96	5.25	12.55	22.32	1251.58	1242.13	1249.11	1219.39	1359.32	11/5	1140.56	3/4	1359.32 11/5 /92	58.63 6/1 /75
41 Business Services (17)	1362.61	-0.1	6.40	3.66	19.02	20.78	1364.33	1348.34	1374.58	1267.41	1511.16	11/5	1233.67	8/4	1511.16 11/5 /92	692.28 1/2 /91
42 Chemicals (22)	1394.14	+0.6	7.56	5.21	16.20	32.18	1386.25	1373.23	1379.38	1387.49	1629.99	8/5	1369.39	6/7	1629.99 8/5 /92	71.20 1/12/74
43 Conglomerates (11)	1228.25	-0.7	10.14	7.67	12.37	23.62	1237.04	1239.21	1251.01	1411.83	1509.94	11/5	1228.25	10/7	1819.46 11/8 /89	975.19 10/11/87
44 Transport (14)	2441.97	-0.3	8.33	4.83	14.80	51.61	2449.72	2447.73	2449.36	2135.63	2790.11	20/5	2256.85	8/4	2790.11 20/5 /92	90.80 29/6 /62
45 Electricity (16)	1342.62	-1.3	14.71	5.46	8.61	17.21	1360.65	1367.33	1371.71	1214.71	1371.71	7/7	1044.63	7/4	1371.71 7/7 /92	994.96 7/1 /91
46 Telephone Networks (4)	1418.69	+1.0	10.97	4.66	11.89	21.77	1404.92	1390.08	1394.78	1443.51	1505.86	22/5	1274.20	3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	2835.51	-0.1	15.59	6.10	7.11	86.85	2837.74	2800.34	2837.02	2261.79	2934.20	11/5	2140.95	8/4	2934.20 11/5 /92	1820.20 1/5 /90
48 Miscellaneous (23)	2044.08	+1.4	5.59	4.82	23.92	24.35	2015.28	1975.71	1982.72	1982.04	2167.85	11/5	1770.94	3/1	2167.85 11/5 /92	60.39 6/7 /75
49 INDUSTRIAL GROUP (483)	1284.21	-0.2	8.36	4.51	14.89	21.88	1287.26	1275.01	1284.97	1226.36	1427.97	11/5	1231.76	3/4	1427.97 11/5 /92	59.01 13/12/74
51 Oil & Gas (17)	1917.36	-1.7	7.90	7.42	16.64	63.73	1951.17	1955.52	1980.48	2415.23	2226.66	2/1	1917.36	10/7	2528.70 3/8 /90	87.23 29/5 /62
59 500 SHARE INDEX (500)	1346.15	-0.4	8.31	4.79	15.05	25.11	1351.38	1340.10	1351.25	1326.84	1493.99	11/5	1298.02	3/4	1493.99 11/5 /92	63.49 13/12/74
61 FINANCIAL GROUP (85)	715.71	+0.6	-	6.34	-	20.03	711.56	710.54	719.57	773.85	802.65	20/5	637.33	3/4	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	946.96	+1.2	5.09	5.76	31.09	24.58	935.81	927.27	933.85	869.32	1026.34	20/5	790.95	3/4	1026.34 20/5 /92	62.44 12/12/74
65 Insurance (Life) (6)	1485.23	+1.2	-	6.00	-	44.26	1467.62	1450.28	1470.58	1458.56	1613.38	21/5	1243.61	6/4	1632.53 4/9 /91	44.88 2/1 /75
66 Insurance (Composite) (7)	480.94	-0.4	-	7.24	-	13.46	482.85	486.53	499.27	656.26	564.54	13/5	419.96	8/4	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	787.67	-0.6	9.84	8.24	13.37	29.69	792.10	795.26	813.29	1140.30	1031.35	27/1	787.67	10/7	1399.56 17/7 /87	65.86 16/12/74
68 Merchant Banks (7)	443.00	+0.3	-	4.88	-	11.25	441.84	443.34	454.73	416.81	521.89	22/5	405.18	7/4	547.59 12/10/87	31.21 7/1 /75
69 Property (31)	593.63	-0.8	9.80	7.72	13.79	19.27	598.26	615.34	622.56	887.25	799.69	20/1	593.63	10/7	1398.87 5/9 /89	56.01 20/4 /65
70 Other Financial (15)	240.40	.....	7.54	7.28	17.94	6.63	240.51	240.40	241.95	257.76	271.79	26/5	221.16	7/4	603.48 16/7 /87	33.29 17/12/74
71 Investment Trusts (70)	1137.82	.....	-	3.93	-	18.86	1137.19	1132.95	1142.62	1195.98	1273.08	11/5	1112.66	8/4	1323.81 4/1 /90	71.12 13/12/74
99 ALL-SHARE INDEX (655)	1195.10	-0.3	-	4.95	-	23.55	1198.25	1189.35	1199.87	1193.62	1326.36	11/5	1142.45	3/4	1326.36 11/5 /92	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 9	Jul 8	Jul 7	Jul 6	Jul 3	Year ago	1992 High		1992 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX§	2490.8	-7.1	2507.0	2489.4	2497.9	2472.6	2493.7	2469.0	2497.1	2497.4	2737.8	11/5	2382.7	3/4	2737.8 11/5 /92	986.9 23/7 /84

FIXED INTEREST

PRICE INDICES	Fri Jul 10	Day's change %	Thu Jul 9	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	122.92	+0.11	122.79	2.23	6.48
2 5-15 years (24)	140.28	+0.20	140.00	2.77	6.89
3 Over 15 years (11)	151.79	+0.20	151.49	1.27	6.80
4 Irredeemables (6)	169.39	-0.25	169.81	1.69	7.34
5 All stocks (65)	137.37	+0.17	137.14	2.39	6.88
Index-Linked					
6 Up to 5 years (2)	173.97	+0.03	173.92	1.06	1.83
7 Over 5 years (10)	153.56	+0.03	153.86	0.60	2.74
8 All stocks (12)	155.18	+0.03	155.44	0.66	2.60
9 Debs & Loans (62)	122.62	+0.26	122.31	2.40	6.16

AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 10	Thu Jul 9	Year ago (approx.)	1992 High	1992 Low
British Government						
1 Low	5 years	8.17	8.19	9.01	9.43 2/4	7.91 1/6
2 Coupons	15 years	8.66	8.65	9.89	9.72 1/4	8.65 9/7
3 (0%-7¼%)	20 years	8.66	8.65	9.89	9.72 1/4	8.65 9/7
4 Medium	5 years	9.06	9.08	10.26	10.28 1/4	9.01 3/7
5 Coupons	15 years	8.87	8.88	10.09	9.82 1/4	8.84 1/6
6 (8%-10¾%)	20 years	8.84	8.85	10.02	9.76 1/4	8.81 2/6
7 High	5 years	9.27	9.30	10.43	10.50 1/4	9.22 3/7
8 Coupons	15 years	9.02	9.02	10.22	9.96 1/4	9.00 22/5
9 (11%-)	20 years	8.95	8.95	10.11	9.86 1/4	8.95 22/5
10 Irredeemables		8.99	8.96	10.10	9.92 2/4	8.96 9/7
Index-Linked						
11 Inflation rate 5%	Up to 5yrs	3.92	4.03	4.46	4.14 2/1	3.52 4/3
12 Inflation rate 5%	Over 5 yrs	4.29	4.32	4.38	4.60 6/4	4.27 17/2
13 Inflation rate 10%	Up to 5 yrs	3.12	3.33	3.45	3.50 2/1	2.86 4/3
14 Inflation rate 10%	Over 5 yrs	4.09	4.14	4.17	4.42 6/4	4.07 17/2
15 Debs &	5 years	10.35	10.39	11.90	11.51 6/4	10.30 8/6
16 Loans	15 years	10.16	10.19	11.70	11.22 6/4	10.07 1/6
17	25 years	10.05	10.07	11.50	11.02 6/4	9.98 1/6

§Opening index 2504.1; 9 am 2504.0; 10 am 2497.5; 11 am 2504.9; Noon 2505.4; 1 pm 2497.5; 2 pm 2497.6; 2.30 pm 2498.4; 3 pm 2494.7; 4.10 pm 2489.9; (a) 8.49am (b) 3.39pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-925 2323. Constituent changes during the week ending 10/7/92: Name changes: Bilton (Percy) to Bilton (2) and Bowthorpe Holdings to Bowthorpe (5).

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*630)	600	34	62	71	3	14	22
	650	7	32	45	24	36	44
	700	1½	14	26	74	74	75
ASDA (*25)	20	[illegible]	[illegible]	[illegible]	1	2	2½
	25	3½	5	7½	2	4	4½
	30	1½	2½	5½	5	8	7½
Brit. Airways (*279)	260	22	35	41	2	9	15
	280	8	23	30	7½	17	22
	300	2	15	22	23	27	31
SmKl Beecham A (*903)	850	62	92	115	3	18	29
	900	21	59	83	14	37	50
	950	4½	35	58	49	65	75
Boots (*421)	420	10	30	29	7	17	23
	460	2	13	20	41	45	46
B P (*263)	250	18	19	25	5	14	18
	275	2	9½	16	19	25	28
British Steel (*62)	60	5½	6½	8½	3	6	8
	70	1	3	5½	11	13	14
Bass (*553)	550	16	37	52	6	17	27
	600	2½	16	28	42	45	55
C & Wire (*531)	500	36	56	67	3	10	16
	550	5	27	40	22	30	35
Courtaulds (*512)	500	19	43	55	4½	16	22
	550	2½	18	30	39	44	48
Com Union (*458)	420	44	49	58	1	6½	10
	460	8	22	33	8	22	26
Fisons (*190)	180	16	32	39	4	17	22
	200	6	22	30	16	27	34
GKN (*384)	360	28	36	47	2	11	15
	390	6	19	30	11	25	29
Grand Met. (*464)	450	29	35	-	4	15	-
	475	5	22	-	14	25	-
I C I (*1162)	1150	30	61	94	13	45	52
	1200	6	37	63	42	74	82
Kingfisher (*465)	460	17	34	55	5	18	21
	500	3	17	30	35	40	40
Ladbroke (*200)	200	6	19	22	7	14	19
	220	2	10	14	23	29	32
Land Secur (*395)	390	11	26	33	4	11	15
	420	1½	11	17	25	27	29
M & S (*307)	300	13	24	34	3	10	12
	330	2	10	17½	24	25	27
Sainsbury (*446)	420	31	46	55	2	7½	12
	460	4	20	32	19	24	30
Shell Trans (*484)	460	27	41	50	1	9½	12
	500	4½	15	26	18	28	31
Storehouse (*134)	130	7	15	19	3½	7	10
	140	2	9½	14	9	12	14
Trafalgar (*92)	90	7	17	20	5½	12	15
	100	3	13	16	12	18	23
Utd Biscuits (*351)	350	27	39	44	2	6	8½
	360	5	18	26	6	17	20
Unilever (*941)	900	48	60	95	3	14	21
	950	12	46	63	17	33	40

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*245)	220	34	47	55	7	19	22
	240	22	34	42	13	27	33
	260	12	25	32	25	36	45
BAA (*659)	600	74	94	102	3	8	13
	650	27	57	69	12	25	30
	700	10	30	43	42	48	53
BAT Inds (*773)	700	84	95	114	5	13	17
	750	35	56	82	16	28	35
	800	11	35	55	47	57	60
BTR (*445)	420	33	41	51	3	13	17
	460	9	19	30	20	32	35
	500	2½	6	16	57	63	65
Brit Telecom (*357)	330	31	35	41	4½	9	13
	360	8	18	24	18	23	26
Cadbury Sch (*468)	460	22	36	47	9	17	22
	500	6	16	28	35	40	45
Eastern Elec (*288)	280	9	19	25	13	18	21
	300	3½	11	17	29	32	34
Guinness (*561)	550	29	48	62	12	23	26
	600	8½	25	37	42	50	52
GEC (*234)	220	12	20	24	5	7	9½
	240	3	10	14	17	17	19
Hanson (*204)	200	10½	15½	19	4	4½	12
	220	2	6½	10	17	21	24
LASMO (*162)	160	16	26	33	11	19	24
	180	10	17	25	24	31	36
Lucas Inds (*120)	120	8	12	14	6	13	15
	130	4½	7	9	13	22	22
P & O (*397)	390	24	33	44	12	26	30
	420	10	18	29	29	45	48
Pilkington (*115)	110	12	18	21	5	8½	10½
	120	6½	13	16	10	14	16
Prudential (*247)	240	15	21	27	4½	10	12
	260	4	12	17	15	20	22
R T Z (*561)	550	30	50	65	10	25	28
	600	8	24	39	42	50	55
Scot. & New (*448)	420	41	48	57	5	11	16
	460	11	21	30	22	30	33
Tesco (*255)	240	22	26	35	4	7	8
	260	8	16	23	10	15	17
Thames Water (*436)	420	26	39	43	5	11	14
	460	5	17	23	27	30	33
Vodafone (*301)	300	15	29	35	10	16	20
	330	5	15	21	31	33	37

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat (*278)	260	21	30	35	6	10	12
	280	12	18	24	16	18	22
	300	4½	11	16	30	33	34
Amstrad (*31)	25	9	10	-	1	2½	-
	30	5½	7	8½	2½	4	5½
	35	3½	5	6½	5½	8	8½
Barclays (*319)	300	27	34	40	8	12	18
	330	8	17	24	25	28	32
	360	2	8½	13	52	52	55
Blue Circle (*209)	194	25	30	-	5	9½	-
	213	12	16	-	13	18	-
	232	5½	12	-	25	29	-
British Gas (*251)	240	20	24	29	4½	10	12
	260	10	13	19	13	21	22
Dixons (*209)	200	17	26	31	10	14	17
	220	7	16	22	21	25	28
Eurotunnel (*333)	330	34	52	65	21	32	37
	360	20	36	50	40	50	57
Glaxo (*708)	700	50	72	87	30	48	60
	750	28	50	65	59	75	85
Hillsdown (*141)	140	11	16	20	7	8½	11
	160	4	8	12	20	21	24
Lonrho (*68)	60	12	14	18	2½	4	5½
	70	6½	9	13	6½	7½	10½
Midland Bk (*463)	460	28	44	-	17	26	-
	500	10	25	-	44	50	-
National Power (*245)	235	16	-	-	7½	-	-
	260	3½	10	15	23	25	27
Reuters (*1139)	1100	85	130	160	29	47	60
	1150	57	103	135	52	70	85
R Royce (*146)	140	13½	17	21	6	8	9
	160	4½	8½	12	19	20	21
Scottish Power (*182)	180	9	10½	12	9	10½	12
	190	4	6	-	16	17	-
Sears (*81)	80	7½	10	12	4½	7	7
	90	4	5½	7½	11	14	14
Forte (*171)	160	22	26	30	5½	9	11
	180	9½	14	20	14	19	21
Thorn EMI (*794)	769	36	-	-	23	-	-
	819	12	-	-	55	-	-
TSB (*141)	140	8	14	15	7½	11	13
	160	2½	5½	8	23	24	26
Vaal Reefs (*$44)	40	7	8	9½	2½	3½	4½
	45	4½	5½	6	4	5	6½
Wellcome (*875)	850	67	107	128	28	44	53
	900	40	75	103	45	66	78

EURO FT-SE INDEX (*2490)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jul	164	115	67	26	7	1½	1	½
Aug	160	137	98	65	37	20	11	6
Sep	199	158	121	89	60	40	24	14
Dec	256	-	180	-	120	-	74	-
Mar	292	-	223	-	163	-	110	-
Jun	320	-	255	-	195	-	145	-
PUTS								
Jul	2	4	5	18	47	90	139	189
Aug	12	17	29	45	67	97	135	179
Sep	18	25	38	53	75	102	136	177
Dec	28	-	50	-	88	-	138	-
Mar	45	-	70	-	102	-	150	-
Jun	55	-	78	-	110	-	150	-

FT-SE INDEX (*2490)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Jul	195	145	97	48	12	3	1	1
Aug	205	160	118	82	49	28	14	8
Sep	218	177	140	105	74	49	32	19
Oct	236	195	157	123	95	67	47	33
Dec	272	-	190	-	133	-	83	-
Jun †	340	-	270	-	215	-	160	-
PUTS								
Jul	1	2	3½	9	27	71	120	170
Aug	9	11	21	35	58	88	126	173
Sep	13	20	32	48	69	98	133	176
Oct	21	28	38	55	77	104	137	175
Dec	27	-	48	-	85	-	145	-
Jun †	50	-	75	-	115	-	170	-

July 10 Total Contracts 33,860
Calls 23,521 Puts 10,339
FT-SE Index Calls 168 Puts 3,104
Euro FT-SE Calls 3,433 Puts 441
* Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	35	Reed Intl	44	Mountleigh	1½		

Deutsche Bank acquires 30% stake in Gerling

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's largest bank, has taken a 30 per cent stake in Gerling. Germany's largest privately-owned insurance group which in the current year is expected to generate group gross premiums of around DM11bn ($7.2bn).

The bank gave no clue as to *the price of the purchase*, although Bob Yates at London stockbrokers Fox-Pitt Kelton said the likely outlay for a transaction of this size would be between DM1.5bn and DM2bn.

Deutsche Bank said simply that it was buying the stake in order to ensure that the Cologne-based insurance company retained its character as the sole family-owned internationally-active German insurance company.

It added that the transaction would allow Gerling to strengthen its role as an independent partner to German industry, a hint at the problems the insurance company has been experiencing in the fiercely competitive German industrial markets.

From the sparse text of the announcement, it seems likely that Deutsche Bank will in the short-term treat the shareholding as a financial investment.

The bank set up its own life subsidiary, DB Leben, in 1989, saying that such personal business was a natural extension of its investment services.

But so far, Deutsche Bank has steered clear of combining a fully-fledged insurance business with its banking activities.

For several years, Deutsche Bank has participated in a joint venture with Gerling, selling life products via industrial companies. It has traditionally directed reinsurance business to Gerling. Analysts speculate that Deutsche Bank could hope to sell Gerling's products to its own industrial clients; they do not rule out a full takeover in the long-run be ruled out.

The Gerling group is at present wholly owned by Rolf Gerling, the son of the late Hans Gerling, the insurance entrepreneur who built up the business before the Second World War, rebuilt it after the war, lost control as a result of the company's involvement in the collapse of Bankhaus Herstatt in 1974, and bought back majority control from Friedrich Karl Flick, the industrialist, in December 1985. Mr Hans Gerling died last year.

Gerling itself made no comment as to why the stake was being sold. In 1990-91, the Gerling group generated gross premium income of over DM8bn and net profit was DM65.9m.

Swarttouw resigns post at Fokker

By Ronald van de Krol in Amsterdam

FRANS SWARTTOUW, a prominent member of the supervisory board of Fokker, the Dutch aeroplane builder, has resigned his post in a further sign of the controversy aroused by the proposed sale of a 51 per cent stake in the company to Deutsche Aerospace (Dasa) of Germany.

Mr Swarttouw (pictured above), a former management board chairman of Fokker and the man associated with the successful launch of a new generation of aeroplanes in the 1980s, had threatened to resign over the deal last month but later retracted the warning after his views were leaked to the press.

His resignation from the eight-member supervisory board underlines fears in the Netherlands that Fokker would be downgraded to an assembly operation if it were taken over by Dasa, which is owned by the Daimler-Benz industrial group.

The Dutch government, which holds 32 per cent of Fokker's shares, is seeking guarantees that Fokker would continue to be fully involved in the design and marketing of new aircraft after the takeover.

Talks between Fokker and Dasa were launched in March but have taken longer than expected because of the Dutch government's efforts to build in safeguards about Fokker's future role. The two sides hope to reach a final agreement that would win Dutch government approval by the end of July.

In a further development yesterday, employees at Fokker's aeroplane-assembly plant in Amsterdam also downed tools briefly to seek explanations from management about a report in the local press which claimed that the new German majority shareholder would gain virtually full management control over the Dutch company and that it might move part of production abroad.

O&Y takes C$1.4bn write-down

By Bernard Simon in Toronto

OLYMPIA & YORK has wiped out its entire equity by writing down the value of its property portfolio and other investments by C$1.4bn (US$1.2bn).

The write-downs, which do not include the Canary Wharf project in London's Docklands, pushed the ailing Toronto-based property developer to a C$2.1bn loss for the year ended January, 1992, compared to a C$359m loss in the previous 12 months. The loss is among the biggest ever recorded by a Canadian company.

O&Y's investment in Canary Wharf is carried on its books at a cost of almost C$3.6bn. But auditors, Price Waterhouse, said in a note qualifying the accounts that the value of the project, which was put into administration on May 28, has been "materially impaired".

The financial statements released yesterday mark the first time that the once-secretive O&Y has made such information public.

The Reichmann family, which owns the company, previously shared only an abridged version of the accounts with their main bankers in O&Y's offices.

O&Y filed for court protection from its creditors in Canada on May 14 and is in talks to restructure the bulk of its C$13.5bn debt. It is due to present a debt-restructuring plan by August 21.

Gerald Greenwald, named president three months ago, said at a press conference yesterday the company will in future publish quarterly statements. He said results for the first quarter of fiscal 1993 will include an "appropriate" write-down on Canary Wharf.

Mr Greenwald confirmed that the Reichmanns are still trying to put together an investors group to provide the capital needed to complete Canary Wharf. He declined to give further details, except to say that some investors have expressed interest.

Mr Greenwald said O&Y has three immediate objectives: to complete the debt-restructuring; to form the Canary Wharf investors group; and to hold down operating costs. He expressed confidence that the value of its assets will improve over time "to the benefit of lenders and shareholders".

According to the financial statements, O&Y had a shareholders deficiency of C$134m on January 31, against equity of C$2.1bn a year earlier.

The company estimates, however, the "real market value" of its properties is C$2.3bn more than their book value. Mr Greenwald said the balance sheet also does not do justice to O&Y's continuing "franchise value" as a respected developer and landlord.

Revenues fell to C$5.5bn in the latest fiscal year from C$6.2bn. But there was a small rise in rental income. The operating loss widened to C$641m from C$205m, while cash flow from operations shrank to C$77m from C$583m.

Less than half the C$1.4bn in write-downs relates to O&Y's property investments. The write-down on its buildings in *the US* and *Canada is only* C$218m, with the value of preference shares in affiliated property companies cut by C$335m.

The rest of the write-downs relate largely to investments in resource companies, such as newsprint maker Abitibi-Price, energy producer Gulf Canada Resources and Santa Fe Energy Resources.

More top dismissals at Hafnia

By Hilary Barnes in Copenhagen

THREE SENIOR executives of a subsidiary of the Hafnia insurance group were dismissed yesterday after management had discovered fresh irregularities.

Hafnia, Denmark's second largest insurance group, has teetered on the brink of collapse for the past two weeks following steep declines in the value of its strategic shareholdings in domestic rival Baltica and Swedish insurance company Skandia.

A week ago a group deputy general manager was dismissed when he was found to have committed the group to share transactions, of which the board was not aware, causing a loss of DKr350m ($60.2m).

Yesterday the group dismissed three managers at Hafnia Trust & Investment Bank when it found that they had failed to report shareholdings of more than 5 per cent in four listed companies to the stock exchange, thus ignoring disclosure legislation.

On Thursday Hafnia Holding, the parent company, reported shareholdings in six listed companies to the stock exchange which had not previously been disclosed.

Hafnia also reported that its 1991 published losses of DKr1.3bn were improperly reduced when a block of shares was sold at a price above stock market value. The share transaction reduced the year's loss by around DKr200m.

Despite these disclosures, institutional investors have agreed to guarantee a rights share issue raising DKr2bn for Hafnia. The issue was launched this week. The group's banks have also agreed to meet its liquidity requirements.

On July 2, the group reported that its equity capital was negative, but in yesterday's statement to the stock exchange it said that no new transactions requiring additional loss provisions have been found.

See Lex

Elf, Sumitomo in $5bn gas study

By William Dawkins in Paris and Steven Butler in Tokyo

ELF Aquitaine, the French oil group and Sumitomo, the Japanese trading company, have launched a feasibility study for a joint $5bn gas liquefaction and distribution project at one of the world's biggest gas fields, in Qatar.

They expect to start deliveries to Japan, Taiwan and South Korea at the end of the century from Qatar's North Field, which is big enough to to provide the Gulf emirate with large amount of liquefied natural gas (LNG) for the next 200 years. Construction is due to start in 1996.

Last year, Qatar attributed part of the North Field to Elf, representing an estimated 200bn cubic metres out of total reserves of between 4,500bn and 6,000bn cubic metres. The deal allowed Elf to supply 4m tonnes of LNG per year for 25 years.

LNG still accounts for only a small percentage of world gas output. But it is expected to grow fast in the next few years in response to the growing environmental pressure for cleaner energy.

The Elf-Sumitomo feasibility study will take up to 18 months and cover the construction of a plant in Qatar, tanker shipments to the Far East and the possibility of inviting other partners to help shoulder the costs.

Elf, which is state-controlled, is to be operator of the project, which covers offshore production and liquefaction at a plant, to be based at the Ras Laffan industrial site.

Sumitomo will be in charge of project finance and shipping and will will try to strike gas sales contracts with Japanese electricity utilities, needed before the project can start. Its financial strength makes Sumitomo a suitable partner for a project of this size, with its long lead time before the first sales.

LNG delivery prices are agreed in advance with the buyers, unlike in the oil industry where prices are set after production. However, oil analysts estimate that Qatar's first LNG supply contract, signed in February 1991, under which Japan's Chubu Electrical Power is to buy 4m tonnes per year, is worth $630m annually. This gives an indicator of the possible value of the Elf-Sumitomo project.

Most of Japanese utilities are already committed until the end of the decade, which is one reason why Qatar has been slow to find takers for long-term contracts. But energy analysts expect Japan's gas needs to grow as its nuclear energy expansion slows.

Japan is also expected to import LNG from south-east Asia, other Middle East producers and Alaska. There has been talk of developing gas supplies from the Russian Far East.

Investors to put $350m into Continental Air

By Nikki Tait in New York

A BANKRUPTCY court hearing has been set for July 22, at which a proposal from an investor group, headed by Charles Hurwitz, to invest $350m in Continental Airlines, when the carrier emerges from bankruptcy, will be considered. The proposal would give the investor group a 72 per cent equity stake in return for the capital infusion.

Mr Hurwitz heads Maxxam group, a Houston-based company which acquired a range of industrial interests with the help of junk bond financing in the 1980s. The proposal to help finance a reorganisation of the heavily-indebted airline is being made in conjunction with Kidder, Peabody, the Wall Street investment bank, and Donaldson, Lufkin & Jenrette, the New York brokerage.

The Hurwitz proposal has the backing of Continental's creditors committee, but must still overcome various other hurdles. It could be topped by better bids – Continental has had talks with numerous US and foreign airlines in recent months – and requires bankruptcy court approval.

Continental must also resolve difficulties with the Pension Benefit Guaranty Corporation, the federal agency which has argued that Continental is responsible for $700m of unfunded pension liabilities at Eastern Airlines. Eastern, now defunct, was Continental's sister airline, both being previously owned by Mr Frank Lorenzo.

Continental sought bankruptcy protection in late-1990, and filed a reorganisation plan earlier this year.

Banesto boosts bid for control of Sanson

LA CORPORACIOn Banesto, the Spanish industrial holding company, has raised its bid for majority control of the cement maker La Auxiliar de la Construccion SA-Sanson to Pta19,000 a share from Pta10,000, Reuter reports from Madrid.

The National Securities Market Commission (CNMV) said the move follows an agreement reached earlier this month with Apax, part of the Unifund investment group, for Apax to take out a call option on 48.7 per cent of Sanson.

Banesto expects the sale of Sanson to represent a cash inflow of Pta65bn ($676m) and a capital gain of Pta8bn.

Cavendish shareholders say yes to Li Ka-shing

By Simon Holberton in Hong Kong

A 17-MONTH quest by Mr Li Ka-shing's Hutchison Whampoa to take full control of Cavendish International ended yesterday when the company's shareholders approved a HK5.50-a-share offer.

An extraordinary general meeting voted 96 per cent in favour of the offer which valued Cavendish at HK$16bn (US$2.07bn) and required an outlay of HK$5.8bn by Hutchison for the 36.63 per cent of the company it did not already own.

Hutchison first bid for Cavendish in February last year. But, in a rare upset for Mr Li, shareholders rejected the then offer of HK$4.10 a share.

Cavendish was formed in 1987 to act as a holding company for some of Mr Li's property and energy interests. Aside from property, it owns a third of Hongkong Electric and 24.5 per cent of Husky Oil of Canada.

Although the current offer was still well below Cavendish's net asset value of around HK$6.40 a share, the strength of the Hong Kong stock market allied to Cavendish's under-performance left investors little option but to take the money and run.

OMV expects to end year in profit

By Our Financial Staff

OMV, the Austrian oil group which the government is planning to merge with the Verbundgesellschaft utility, expects to make a positive operating profit this year.

The company said it would make operating losses of around Sch500m ($47.2m) for the first half of 1992 but would end the year with a significantly positive result.

Wolfgang Ruttensdorfer, finance director, said the final figures for the half-year were not yet available but he expected OMV's second-quarter performance to match the first when an operating loss of Sc247m was incurred.

Richard Schenz, who has just replaced outgoing OMV chairman Siegfried Meysel as interim company chairman, said he expected the company's performance to improve in the second half.

Mr Schenz said a two-pronged cost-cutting programme attacking unnecessary investment and personal costs was under discussion by the company's supervisory board.

The company still plans to undertake a Sch6bn investment programme this year, to be mainly financed from cash-flow, Mr Ruttensdorfer said.

The company's energy operations, suffering from bad oil refining profit margins, had poor results in April and May. But there was a significant improvement in profitability in OMV's energy operations in June.

Results at OMV's petrochemicals and chemicals areas remained "unchanged and negative", Mr Ruttensdorfer said.

Plans to merge OMV with Verbund are part of the process of reorganising Austria's state-owned industrial companies. If it goes ahead, the deal would create an energy group with a turnover in excess of Sch85bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$348.45	+2.45	$368.15	$358.40	$335 20
Silver Per troy oz	204.89	-7.535	206.10p	242.70p	201.11p
Aluminium 99.7% (cash)	$1298	-25	$1307.5	$1339.0	$1105.5
Copper Grade A (cash)	£1294.5	-38	£1337.0	£1318.5	£1125.0
Lead(cash)	£316.5	-2	£322.50	£322.5	£278.50
Nickel (cash)	$7530	-112.5	$8712.5	$8195.0	$7065.0
Zinc SHG (cash)	$1302	+2	$1061	$1457.5	$1106.5
Tin (cash)	$7062.5	+47.5	$5662.5	$7115.0	$5425.0
Cocoa Futures (Sep)	£614	+25	£610	£773	£523
Coffee Futures (Sep)	$776	+60	$564	$1013	$676
Sugar (LDP Raw)	$256.0	+5	$285	$271	$193
Barley Futures (Nov)	£114.85	+1.15	£113.50	£123.90	£106.90
Wheat Futures (Nov)	£116.05	+1.05	£115.25	£131.85	£109.85
Cotton Outlook A Index	65.50c	-0.1	80.90c	65 90c	52.25c
Wool (64s Super)	377p		387p	480p	377p
Oil (Brent Blend)	$20.175x	-0.625	$19.775	$21 30	$17 00

Per tonne unless otherwise stated †Unquoted p-pence/kg. c-cents lb. x-Aug

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8 60z	+.175
Brent Blend (dated)	$19.95-20 05	+.225
Brent Blend (Aug)	$20.15-0.20	+0.20
W.T.I (1 pm est)	$21.50-1.55z	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-223	
Gas Oil	$184-188	+2
Heavy Fuel Oil	$83-85	+1
Naphtha	$193-195	

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$348 45	+0.60
Silver (per troy oz)♣	394 0c	+3.0
Platinum (per troy oz)	$385.0	+1.5
Palladium (per troy oz)	$85 4	+1.15
Copper (US Producer)	116 45c	-0 70
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	17 59r	-0 04
Tin (New York)	326.00c	-4.50
Zinc (US Prime Western)	62.0c	
Cattle (live weight†	109.39p	+1 11*
Sheep (live weight)†♠	81.32p	+7.29*
Pigs (live weight)†	91.78p	+6 98*
London daily sugar (raw)	$256.0w	+2.0
London daily sugar (white)	$290 0w	-4 3
Tate and Lyle export price	£242.5	+1 5
Barley (English feed)	£111.0	
Maize (US No. 3 yellow)	£149 0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.75p	+0.25
Rubber (Sep)♥	60 75p	+0.25
Rubber (KL RSS No 1 Jul)	220 0r	
Coconut oil (Philippines)§	$540 0t	-10.0
Palm Oil (Malaysian)§	$392.5z	
Copra (Philippines)§	$370.0	-2 5
Soyabeans (US)	£134.0	-1.0
Cotton "A" index	65 50c	
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg.t-Aug/Sep y-July w-Jul/Aug z-Aug †Meat Commission average fatstockprices * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices.‡‡ previous figure should have been 250.5

SUGAR – London FOX ($ per tonne)			
Raw	**Close**	**Previous**	**High/Low**
Aug	229 00	225 00	225 00 225 00
Oct	212 00	210 00	210 60 209.20
Dec	200.00	200.00	195 20 195 00
Mar	203.00	200.00	202 40
White	**Close**	**Previous**	**High/Low**
Aug	291.00	290 00	291.00 288.50
Oct	266.00	265.00	266.00 263.50
Dec	265.00	264.00	265.00 263 00
Mar	268.50	267.00	267 00 266.00
May	271.40	270.00	269 30 268 00
Aug	276.40	275 00	274.10 274 00

Turnover: Raw 175 (101) lots of 50 tonnes. White 1741 (1925) Paris- White (FFr per tonne): Aug 1468 82 Oct 1364.98

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Aug	20 15	19.98	20 21 20 01
Sep	20.20	20.08	20 27 20.11
Oct	20 21	20.13	20 25 20.19
Nov	20.21	20 11	20 23 20 19
Dec	20.15	20.08	20 20 20.15
Apr	19 73		19 73
IPE Index	19.95	20.02	

Turnover 18000 (32474)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Aug	185.00	184 25	186 00 183.60
Sep	186.75	186.00	187.75 186.50
Oct	189.50	188.50	189.75 189.00
Nov	191.25	190.50	191.50 190.75
Dec	193.00	191.50	193 00 191.75
Jan	191 75	190 75	191.75 191.25
Feb	188 75		188 75

Turnover 14978 (28294) lots of 100 tonnes

SPICES
Cloves market is still depressed and going down, reports Man-producten. Madagascan cloves selling below US$800 a tonne cif; prices are now below cost in both Madagascar and Zanzibar, and it is possible that picking will be stopped. Nutmegs/mace from Indonesia lower; abcd $1,650, shrivels $1,400, bwp $950 a tonne cif. Cochin ginger firmer: $1,125 cif. Nigerian split ginger in Europe very depressed following heavy arrivals. Cassia undertone steady. Pimento – Jamaica spot $2,550, shipment $2,575 cif. Turmeric – Madras fingers $1,100, Alleppy fingers$1,750 cif.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
Jul	600	594	598 585
Sep	614	609	616 604
Dec	644	635	645 632
Mar	673	664	674 661
May	690	681	685 679
Jul	707	698	705 695
Sep	723	714	725 712
Dec	750	741	750 745

Turnover: 4598 (5130) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 9 777 81 (773.72) 10 day average for Jul 10 742 54 (731.88)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low
Jul	761	750	755 740
Sep	776	762	779 755
Nov	786	779	788 770
Jan	799	790	800 782
Mar	821	812	820 799
May	835	816	825 817
Jul	852		844

Turnover 5807 (6293) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 9: Comp. daily 49.11 (48.67) 15 day average 47 42 (47.43)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
Apr	78.5	79.5	79.5 77.1

Turnover 150 (209) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Aug	-	-	

Turnover 0 (0) lots of 20 tonnes

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
Jul	1070	1080	1082 1070
Aug	1110	1120	1125 1110
Sep	1160	1155	1160
Oct	1225	1232	1240 1225
Jan	1246	1242	1248
BFI	1059	1057	

Turnover 141 (329)

GRAINS – London FOX (£/tonne)			
Wheat	**Close**	**Previous**	**High/Low**
Sep	112.75	112 40	112.75 112.70
Nov	116.05	115.50	116.10 115.60
Jan	119.35	118.65	119.35 119.00
Mar	122.40	121.30	122.40 122.00
May	125 25	124.75	125.25 124.85
Barley	**Close**	**Previous**	**High/Low**
Sep	111 40	111 00	111.40 111.25
Nov	114.85	114.35	114.85 114.70
Jan	118.20	117.50	118.20 118.00
Mar	120.50	120 00	120.50 120.40
May	122.00	121.75	122.00 121.85

Turnover: Wheat 375 (222) . Barley 144 (146).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
Jul	117 5	117.0	116 5
Aug	106.5	106.0	106.0 105.5
Sep	105.9	105.5	105.5 105.0
Oct	106 0	105.5	105 5 105 0
Nov	105.5	104.5	105.5 105.0

Turnover: 67 (174) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 40,366 lots
Cash	1297.5-8.5	1302-3		1287.5-8.5		
3 months	1322-3	1327-8	1330/1310	1312-2.5	1330-1	167,238 lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,588 lots
Cash	1294-5	1332-3	1297/1296	1295.5-6		
3 months	1308-9	1340-0.5	1324/1303	1310-0.5	1306-7	131,483 lots
Lead (£ per tonne)						Total daily turnover 6,566 lots
Cash	316-7	317-8		314-5		
3 months	327-8	328-9	329/325	325.5-6	326.5-7	25,071 lots
Nickel ($ per tonne)						Total daily turnover 3,831 lots
Cash	7525-35	7555-65	7520/7515	7520-5		
3 months	7590-600	7625-30	7610/7580	7580-1	7590-5	25,222 lots
Tin ($ per tonne)						Total daily turnover 1,829 lots
Cash	7080-5	7105-15		7080-5		
3 months	7080-5	7125-30	7120/7060	7070-5	7050-60	11,046 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,307 lots
Cash	1301-3	1304-6		1291-3		
3 months	1317-8	1315-6	1320/1306	1309-10	1314-5	85,656 lots

LME Closing £/$ rate:
SPOT: 1.9211 3 months: 1.8922 6 months: 1.8616 9 months: 1.8373

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	348.30-348.60	
Opening	348.80-349.20	
Morning fix	348.75	183.004
Afternoon fix	348.70	182.565
Day's high	350.10-350.40	
Day's low	348.00-348 30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.99	6 months	2.98
2 months	2.98	12 months	3.05
3 months	2.98		

Silver fix	p/troy oz	US cts equiv
Spot	207.60	396 60
3 months	212.65	399 65
6 months	217.65	403.10
12 months	227.60	410.95

GOLD COINS	$ price	£ equivalent
Krugerrand	349.00-351.00	183.00-185.00
Maple leaf	358.15-360.45	-
New Sovereign	84.00-86.00	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	81	110	7	14
1350	21	49	46	50
1450	2	18	126	116
Copper (Grade A)	**Calls**		**Puts**	
2450	109	108	19	67
2550	49	59	58	108
2650	18	29	124	176
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
750	42	60	16	24
800	17	34	41	48
850	6	19	80	83
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	27	61	13	17
625	15	46	26	27
650	8	33	44	39
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2000	29			39
2050	9	37	41	66
2100	2	21		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jul	348.3	346.7	0	0
Aug	349.0	349.4	351.2	348.9
Sep	349.8	350.2	0	0
Oct	350.7	351.1	352.9	350.5
Dec	352.6	353.0	355.0	352.4
Feb	354.5	354.9	356.2	354.5
Apr	356.4	356.8	358.5	356.9
Jun	358.4	358.8	360.2	358.7
Aug	360.6	361.0	361.0	361.0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	387.6	388.0	385.0	385.0
Oct	388.6	389.5	390.0	386.7
Jan	386 6	387.9	387.0	385.5
Apr	386.6	387.9	386.5	386.6
Jul	384.6	0	380.0	380.0

SILVER 5,000 troy oz: cents/troy oz.	Close	Previous	High/Low	
Jul	392.0	392.6	393.0	392.0
Aug	393.0	393.7	0	0
Sep	394.0	394.7	397.0	393.0
Dec	398.0	398.7	401.0	397.0
Jan	399.5	400.3	0	0
Mar	402.4	403.2	406.0	403.0
May	405.3	406.2	0	0
Jul	408.2	409.2	408.5	409.0
Sep	411.2	412.2	414.5	412.5
Dec	416.3	417.3	420.5	417.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	113.35	111.60	113.40	111.60
Aug	113.45	111 65	113.45	113.00
Sep	113.45	111.56	113.60	111.50
Oct	112.60	111.00	111.40	111.40
Nov	112.60	110.80	0	0
Dec	112.25	110.55	112.30	110.55
Jan	111.68	110.05	0	0
Feb	111.05	109.65	0	0
Mar	110.35	109.05	109.75	109.40
Apr	109.80	108.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.41	9.30	9.42	9.25
Mar	9.26	9.23	9.27	9.15
May	9.19	9.20	9.18	9.11
Jul	9.20	9.13	0	0
Oct	9.17	9.08	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Aug	21.54	21.40	21.61	21.48
Sep	21.49	21.39	21.57	21.43
Oct	21.45	21.38	21.53	21.40
Nov	21.43	21.37	21.50	21.40
Dec	21.37	21.35	21.49	21.34
Jan	21.33	21.29	21.42	21.30
Feb	21.20	21.21	21.24	21.20
Mar	21.18	21.11	21.21	21.21
Apr	21.07	21.02	0	0
May	20.93	20.93	0	0

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Aug	5970	5925	6000	5935
Sep	6075	6031	6105	6055
Oct	6175	6136	6200	6165
Nov	6275	6236	6295	6270
Dec	6365	6321	6385	6365
Jan	6405	6361	6415	6400
Feb	6325	6276	6325	6305
Mar	6065	6046	0	0
Apr	5831	5831	0	0
May	5700	5676	5720	5700

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Jul	976	965	980	980
Sep	1026	1015	1029	1006
Dec	1084	1075	1089	1063
Mar	1126	1120	1131	1107
May	1159	1150	1153	1135
Jul	1187	1178	0	0
Sep	1216	1207	0	0
Dec	1257	1248	1247	1247
Mar	1295	1286	0	0
May	1324	1315	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Jul	60.55	59.05	60.00	59.55
Sep	63.15	60.95	63.25	61.15
Dec	65.35	63.60	65.40	63.80
Mar	67.70	66.25	68.00	66.40
May	71.85	70.10	71.90	70.55
Jul	73.75	72.20	73.10	73.10
Sep	75.75	74.25	75.00	75.00
Dec	78.00	77.40	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Oct	64.40	63.75	64.90	64.15
Dec	63.30	62.52	63.65	63.02
Mar	64.45	63.65	64.75	64.01
May	65.12	64.20	65.25	64.60
Jul	65.42	64.45	65.50	64.80
Oct	63.40	63.58	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	125.00	126.80	126.50	125.00
Sep	121.15	123.05	122.70	121.05
Nov	115.35	116.90	116.40	115.10
Jan	113.60	114.75	114.80	113.50
Mar	113.65	114.65	114.65	113.70
May	113.65	114.65	0	0
Jul	113.15	114.15	0	0
Sep	113.15	114.15	0	0
Nov	113.15	114.15	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul 10	Jul 9	mnth ago	yr ago
1553.7	1553.0	1585.4	1729.7

DOW JONES (Base: Dec. 31 1974 = 100)	Jul 9	Jul 8	mnth ago	yr ago
Spot	118.40	118.40	118.92	125.19
Futures	119.03	119.00	119.38	122.15

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	573/4	569/6	575/4	571/2
Aug	576/6	573/4	579/0	575/2
Sep	579/2	575/4	581/4	577/4
Nov	585/0	581/4	587/4	583/2
Jan	593/2	589/4	595/4	591/6
Mar	601/6	598/4	604/4	601/0
May	608/4	606/0	610/0	607/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	19.85	19.74	19.91	19.74
Aug	19.93	19.84	20.02	19.82
Sep	20.06	20.00	20.15	19.98
Oct	20.20	20.14	20.30	20.13
Dec	20.51	20.45	20.61	20.42
Jan	20.62	20.56	20.73	20.57
Mar	20.90	20.86	21.02	20.87
May	21.15	21.11	21.25	21.10

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	175.4	175.4	175.9	175.3
Aug	176.1	175.8	176.6	175.8
Sep	177.2	176.4	177.3	176.8
Oct	184.2	183.1	184.4	183.0
Dec	183.8	192.8	194.0	192.8
Jan	193.7	193.0	194.2	193.5
Mar	194.3	194.3	195.0	194.3
May	194.5	194.3	195.5	194.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	244/4	242/2	245/2	242/6
Sep	241/2	241/2	242/4	241/0
Dec	242/0	243/0	244/4	241/2
Mar	249/6	251/0	252/2	249/4
May	254/0	255/6	257/0	254/0
Jul	258/4	259/6	261/0	258/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	335/0	335/6	338/4	334/0
Sep	335/2	338/0	341/2	335/0
Dec	345/2	348/2	351/4	345/0
Mar	348/0	350/2	354/0	348/0
May	340/0	343/0	345/0	340/0
Jul	323/4	327/0	329/4	323/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	73.675	73.375	73.775	73.125
Oct	73.100	73.100	73.325	72.850
Dec	71.400	71.200	71.500	71.060
Feb	70.675	70 600	70.850	70.400
Apr	72.175	72.050	72.275	71.850
Jun	69.175	69.075	69.600	69.100
Aug	68.100	67.875	68.100	0

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jul	46.275	46.300	46.425	45.950
Aug	42.900	43.325	43.400	42.800
Oct	38.300	38.900	38.850	38.150
Dec	39.625	39.600	39.750	39.500
Feb	40.675	41.050	41.150	40.600
Apr	40.100	40.450	40.500	40.050
Jun	45.700	45.850	46.050	45.600

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	30.800	30.975	30 900	30.500
Aug	27.200	27.750	27.800	27.100
Feb	37.275	37.325	37.350	37.000
Mar	36.875	36.850	37.000	36.750
May	37.950	38.100	0	37.700
Jul	37.100	37.250	38.000	37.100

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling fails to gain from RPI

STERLING had another very volatile day on the foreign exchanges yesterday, sandwiched between a strengthening D-Mark and good UK inflation figures for June, *writes James Blitz.*

In morning trading, the British currency dropped to a low of DM2.8667 against the D-Mark. Sterling sellers were partly taking account of a new round of losses for the dollar in overnight trading in Asia, which took the US currency down to a low of DM1.4945.

Compounding this were fears that the Bundesbank council will tighten monetary policy at its meeting on Thursday. M3 money supply, a key gauge of future inflation prospects, has been holding at an annual rate of 9 per cent for five months, overshooting the Bundesbank's target ceiling of 5.5 per cent.

These fears were temporarily put to one side at around lunchtime, when the retail price index for June showed that the headline inflation rate had dropped to 3.9 per cent, its lowest level for 8 months. As the figure came out, traders reported a big buying order for sterling from Germany. The inflation figure also allowed Mr Norman Lamont, the UK chancellor, to reiterate his commitment to the European Monetary System, after a week of growing speculation that Britain might unilaterally devalue.

The currency was also helped by rumours in the market that the Bank of England had intervened to support the pound. But the rally petered out towards the end of trading and sterling closed ¾ of a pfennig down on the day at DM2.8725. Against the dollar, it closed higher at $1.9215 from a previous close of $1.8965.

The dollar edged lower in late European trading with operators again becoming bearish about its future trend after the see-saw movements in dollar/D-Mark that dominated the week.

The June US producer price index helped keep alive suggestions that the Federal Reserve could ease interest rates again. The index rose an expected 0.2 per cent, but the core rate, excluding food and energy, fell 0.1 per cent, the first decline in this measure since February 1987. By the end of European trading, the dollar was down to DM1.4955 from a previous close of DM1.5190. In late American trading, the US currency was slightly softer at DM1.4952.

The D-Mark ended stronger against most European currencies yesterday. It closed up against the lira at L757.3 compared to a previous close of L756.6. The Bank of Italy sold DM53m at the midday currency fixing in a bid to ease pressure on the Italian currency. But the lira is still reaping strength from the recent rise in the Italian discount rate. The D-Mark also closed a shade firmer against the French franc, closing at FFr3.377 compared to a previous close of FFr3.373.

£ IN NEW YORK

July 10	Latest	Previous Close
£ Spot	1.9205-1.9215	1.8995-1.9005
1 month	1.07-1.06pm	1.07-1.06pm
3 months	3.08-3.06pm	3.09-3.06pm
12 months	10.50-10.43	10.50-10.42

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 10	Previous
8.30 am	92.4	92.5
9.00 am	92.5	92.6
10.00 am	92.6	92.6
11.00 am	92.9	92.6
Noon	92.8	92.6
1.00 pm	92.8	92.6
2.00 pm	92.8	92.6
3.00 pm	92.8	92.5
4.00 pm	92.8	92.6

CURRENCY MOVEMENTS

Jul 10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	-19.5
U.S Dollar	60.5	-17.7
Canadian Dollar	98.7	-2.8
Austrian Schilling	110.9	+12.8
Belgian Franc	112.7	-1.4
Danish Krone	111.1	+4.6
D-Mark	120.6	+26.3
Swiss Franc	107.9	+15.7
Dutch Guilder	115.8	+17.0
French Franc	105.9	-11.0
Lira	99.4	-19.7
Yen	139.9	+76.8
Peseta	108.2	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 9

CURRENCY RATES

Jul 10	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.754343	0.710588
U.S Dollar	3.00	1.44004	1.35651
Canadian $	5.85	1.71854	1.61574
Austrian Sch	7.50	15.2155	14.3885
Belgian Franc	8.50	44.3640	42.1231
Danish Krone	9.50	8.28743	7.86709
D-Mark	8.00	2.16726	2.04426
Dutch Guilder	8.50	2.44303	2.30526
French Franc	10¼	7.30604	6.89447
Italian Lira	13	1638.94	1549.27
Japanese Yen	3.75	179.285	170.473
Norway Krone	–	8.45087	8.02512
Spanish Peseta	–	137.597	129.981
Swedish Krona	10.00	7.79638	7.40655
Swiss Franc	7.00	1.95773	1.85435
Greek Drach	19	266.036	250.466
Irish Punt	–	0.817605	0.766781

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 9

OTHER CURRENCIES

Jul 10	£	$
Argentina	1.8885 - 1.8915	0.9900 - 0.9910
Australia	2.5575 - 2.5595	1.3405 - 1.3415
Brazil	6981.05 - 6985.10	3660.75 - 3660.95
Finland	7.8610 - 7.8845	4.1050 - 4.1080
Greece	347.500 - 353.050	182.980 - 185.910
Hong Kong	14.7940 - 14.8075	7.7350 - 7.7360
Iran	2738.00*	1435.00*
Korea(Sth)	1483.00 - 1506.90	783.50 - 789.70
Kuwait	0.55150 - 0.55250	0.28880 - 0.28930
Luxembourg	59.15 - 9.25	30.75 - 30.85
Malaysia	4.7730 - 4.7855	2.5010 - 2.5020
Mexico	5722.90 - 5735.45	3103.00 - 3104.00
N.Zealand	3.5010 - 3.5045	1.8300 - 1.8320
Saudi Ar	7.1975 - 7.2815	3.7495 - 3.7505
Singapore	3.0840 - 3.0915	1.6155 - 1.6165
S.Af (Cm)	5.2680 - 5.2805	2.7650 - 2.7680
S.Af (Fn)	7.4875 - 7.5315	3.9140 - 3.9370
Taiwan	46.95 - 47.15	24.55 - 24.65
U.A.E.	7.0455 - 7.1230	3.6715 - 3.6735

*Floating rate. Iran Official rate:£121.40 $64.00

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9215	1.9108	1.8907	1.8631	1.8162
D-mark	2.8725	2.8723	2.8721	2.8717	2.8710
French Fr.	9.7000	9.6760	9.6210	9.5220	9.3810
Swiss Fr.	2.6050	2.6026	2.5987	2.5941	2.5818
Yen	241.00	239.90	237.72	234.45	228.58

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	172.535	-3.47	5.63	57
Spanish Peseta	133.631	129.981	-2.73	4.83	46
Belgian Franc	42.4032	42.1231	-0.66	2.64	29
D-Mark	2.05586	2.04426	-0.56	2.54	31
Dutch Guilder	2.31643	2.30526	-0.48	2.46	20
Irish Punt	0.767417	0.766781	-0.08	2.05	1
French Franc	6.89509	6.89447	-0.01	1.97	-3
Danish Krone	7.84195	7.86709	0.32	1.64	-18
Italian Lira	1538.24	1549.27	0.72	1.24	-39
Sterling	0.696904	0.710588	1.96	0.00	-39

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8980 - 1.9230	1.9210 - 1.9220	1.08-1.06cpm	6.68	3.10-3.07pm	6.42
Canada	2.2550 - 2.2950	2.2900 - 2.2910	0.90-0.81cpm	4.48	2.65-2.49pm	4.49
Netherlands	3.2200 - 3.2475	3.2350 - 3.2450	¼-parcpm	0.23	¼-parpm	0.15
Belgium	58.80 - 59.40	59.15 - 59.25	5-parcpm	0.51	12-7pm	0.64
Denmark	10.9900 - 11.0925	11.0725 - 11.0825	¾-1¼oredis	-1.08	¾-2½dis	-0.61
Ireland	1.0755 - 1.0870	1.0850 - 1.0860	0.01dis-0.02cpm	0.06	0.05dis-0.01par	-0.07
Germany	2.8525 - 2.8800	2.8700 - 2.8750	½pfpm-par	0.26	¼-parpm	0.17
Portugal	240.20 - 243.40	242.00 - 243.00	33-120cdis	-3.79	129-320dis	-3.7
Spain	181.00 - 183.05	182.60 - 182.90	35-46cdis	-2.66	111-125dis	-2.58
Italy	2169.00 - 2180.75	2174.50 - 2175.50	9-11liredis	-5.52	25-27dis	-4.78
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]. 12 Month 10.58-10.48pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years 6⅝-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 10	£	$	DM	YEN	F Fr.	S Fr.	N FL	Lira	C $	B Fr.	Pta	Ecu
£	1	1.921	2.872	241.0	9.700	2.605	3.240	2175	2.290	59.20	182.7	1.412
$	0.521	1	1.495	125.5	5.049	1.356	1.687	1132	1.192	30.82	95.11	0.735
DM	0.348	0.669	1	83.91	3.377	0.907	1.128	757.3	0.797	20.61	63.61	0.492
YEN	4.149	7.971	11.92	1000.	40.25	10.81	13.44	9025	9.502	245.6	758.1	5.859
F Fr.	1.031	1.980	2.961	248.5	10.	2.686	3.340	2242	2.361	61.03	188.4	1.456
S Fr.	0.384	0.737	1.102	92.51	3.724	1	1.244	834.9	0.879	22.73	70.13	0.542
N FL	0.309	0.593	0.886	74.38	2.994	0.804	1	671.3	0.707	18.27	56.39	0.436
Lira	0.460	0.883	1.320	110.8	4.460	1.198	1.490	1000.	1.053	27.22	84.00	0.649
C $	0.437	0.839	1.254	105.2	4.236	1.138	1.415	949.8	1	25.85	79.78	0.617
B Fr.	1.689	3.245	4.851	407.1	16.39	4.400	5.473	3674	3.868	100.	308.6	2.385
Pta	0.547	1.051	1.572	131.9	5.309	1.426	1.773	1190	1.253	32.40	100.	0.773
Ecu	0.708	1.360	2.034	170.7	6.870	1.845	2.295	1540	1.622	41.93	129.4	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE EURO FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE DM/MARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100% — [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

THREE MONTH EURO SWISS FRANC SFr 1m points of 100% — [illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100% — [illegible]

FT-SE 100 INDEX * £25 per full index point

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	2521.0
Dec	[illegible]	[illegible]	[illegible]	2567.0
Mar	2591.5			2605.0

Estimated volume 9149 (9699)
Previous day's open int. 43078 (42005)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

BRITISH POUND (IMM) $ per £ — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate) — [illegible]

CAC-40 FUTURES (MATIF) Stock Index — [illegible]

ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	0.15	-	-
107	0.81	-	-	0.35	0.72	-
108	0.31	0.92	1.45	0.82	1.12	-
109	0.11	0.54	-	-	-	-
110	0.03	-	-	-	-	-
111	0.01	0.14	-	-	-	-
Open Int	106,759	190,484	3,400	92,462	35,324	3,960

Estimated volume 18,254 Prev day Total Open Interest 432,389

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9215	1.9108	1.8907	1.8631	1.8162

BANK RETURN

BANKING DEPARTMENT	Wednesday July 8 1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	81,274,579	-	9,487,781
Bankers Deposits	1,751,645,362	+	65,356,681
Reserve and other Accounts	3,595,549,793	-	4,374,005
	5,443,022,734	+	51,494,895
ASSETS			
Government Securities	1,552,596,175	-	21,560,000
Advance and other Accounts	2,819,686,826	+	372,776,323
Premises Equipment & other Secs	1,061,879,168	-	298,162,374
Notes	8,660,990	-	1,560,345
Coin	199,575	+	1,291
	5,443,022,734	+	51,494,895
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,151,339,010	+	71,560,345
Notes in Banking Department	8,660,990	-	1,560,345
	16,160,000,000	+	70,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,202,949,404	-	1,922,985,998
Other Securities	6,946,035,496	+	1,992,985,998
	16,160,000,000	+	70,000,000

MONEY MARKETS

Short dates firmer

SHORTER dated cash rates in the sterling money markets ended slightly firmer yesterday after dealers had difficulty removing a shortage of £500m forecast by the Bank of England.

Although the shortage was, for the second day running, a good deal smaller than had been anticipated, a number of technical factors made it a sticky day in the market. Dealers believe that next week will see another round of big shortages, encouraging them to hold on to paper now. There was also a repeat of the common problem with middle-sized shortages: namely, that dealers in one discount house are often waiting for the others to remove it, and in the end, nobody does. As a result, the Bank ended the day providing late assistance of around £360m.

In the morning, shorter dated money softened slightly as the shortage was declared. Adding to confidence was the good news on the retail prices index, with inflation falling to its lowest level for eight months after a sharp fall to 3.9 per cent in June. In the afternoon, rates firmed, however: 1-week money ended at 10⅛ per cent from a previous close of 9⅞ per cent and 1-month money ending unchanged at 10$\frac{1}{16}$ per cent.

Longer dated rates ended softer, swayed by hopes that the RPI figures will make a base rate cut more likely in the more distant future. Compounding this was a more stable performance from sterling on the foreign exchanges after two days of heavy losses. 3-month money ended the day softer at 10$\frac{1}{32}$ per cent from 10$\frac{1}{16}$ per cent, 6-month money remained unchanged at 10 per cent and 1-year money was at 9⅞ per cent, down from 9$\frac{15}{16}$ per cent.

Trading in sterling futures plotted a similar trajectory to the cash markets, with the September contract rising to a high of 90.20 following news of the inflation figure. But in the afternoon, confidence petered out, and the contract ended down four ticks from its previous close, at 90.08. The December contract ended down 3 ticks from its previous close at 90.37.

In its money market operations, the Bank of England did not operate in the morning. In the afternoon, it purchased £5m of Band 1 bank bills at 9⅞ per cent and £16m of Band 2 bank bills, also at 9⅞ per cent.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 10) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3½	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds			
		One month	2.94	Three year	4.84
		Two month	3.27	Five year	5.87
Prime rate	6	Three month	3.28	Seven year	6.41
Broker loan rate	6	Six month	3.38	10-year	6.87
Fed.funds	3¼	One year	3.59	30-year	7.59
Fed.funds at intervention	-	Two year	4.33		

July 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.60-9.70	9.60-9.70	9.65-9.75	9.65-9.75	9.75
Paris	9$\frac{15}{16}$-10	9$\frac{15}{16}$-10$\frac{1}{16}$	10-10⅛	10-10⅛	9$\frac{15}{16}$-10	9.60
Zurich	7¾-8¼	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9.43-9.50	9.42-9.50	-	9.42-9.50	-	-
Tokyo	4$\frac{11}{16}$-4$\frac{13}{16}$	4½-4⅝	-	-	-	-
Milan	14½-14¾	15$\frac{3}{16}$-15$\frac{11}{16}$	-	14¾-15¼	-	-
Brussels	9¼-9½	9¼-9½	-	9$\frac{5}{16}$-9$\frac{7}{16}$	-	-
Dublin	10-10¼	10-10¼	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	-

LONDON MONEY RATES

Jul 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10	10$\frac{1}{16}$	10$\frac{1}{16}$	10$\frac{1}{16}$	9$\frac{15}{16}$
Interbank Bid	9	9¾	10	10	9$\frac{15}{16}$	9$\frac{13}{16}$
Sterling CDs	–	–	10$\frac{1}{32}$	10	9$\frac{15}{16}$	9$\frac{13}{16}$
Local Authority Deps.	10¼	10⅛	10$\frac{1}{16}$	10	9$\frac{15}{16}$	9⅞
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	9¼	9$\frac{13}{16}$	–	–	–	–
Company Deposits	–	–	10⅛	10$\frac{1}{16}$	10	9$\frac{15}{16}$
Finance House Deposits	–	–	10$\frac{1}{16}$	10	9$\frac{15}{16}$	9⅞
Treasury Bills (Buy)	–	–	9$\frac{15}{16}$	9$\frac{15}{16}$	9¾	–
Bank Bills (Buy)	–	–	9$\frac{15}{16}$	9$\frac{15}{16}$	9$\frac{13}{16}$	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.27	3.31	3.40	3.63
SDR Linked Dep. Offer	–	–	6⅜	6⅜	6½	6⅝
SDR Linked Dep. Bid	–	–	6¼	6¼	6⅜	6½
ECU Linked Dep. Offer	–	–	10⅜	10⅜	10⅜	10½
ECU Linked Dep. Bid	–	–	10¼	10¼	10¼	10

Treasury Bills (sell): one-month 9$\frac{13}{16}$ per cent; three months 9$\frac{13}{16}$ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9$\frac{13}{16}$ per cent; Treasury Bills; Average tender rate of discount 9.3294 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992, Scheme I: 11.29 p.c., Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992, Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	● Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptnrs.	10.5	● Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd	11
Bank of India	10	● Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank AG Zurich	10	● Smith & Williamson Secs	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1686

Treasury 13¼% Stk 2000/03 - £124¾
Exchequer 10½% Stk 2005 - £111⅝ (7Jy92)
Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £121⅝ (8Jy92)

Corporation and County Stocks
No. of bargains included nil

(3Jy92)
New Zealand 8¾% Bds 1995 - £100½
Nippon Telegraph and Telephone Corp 10¾% Bds 2001 (Br £1000&10000) - £108.55 (6Jy92)
Norway (Kingdom of) 7% Nts 1996 (Br $5000&100000) - $103.9 4 .15
7¾% Nts 1997 (Br $5000&100000) - $103½♦ ¾♦
9% Nts 1996(Br ECU5000&100000) - EC100 (3Jy92)
Norway (Kingdom of) 10½% Nts 1994 (Br£1000,10000&100000) - £101¾ ½
Pacific Electric Wire&Cable Co Ld3¾% Bds 2001 - $101 (8Jy92)

...

Prf 100p - 119¾ ½
Schroder Korea Fund PLCOrd $0.01 (Reg) - $6¾
Wts to Sub for Ord (Reg) - $1⅛ ¾
Scottish American Investment Co PLC Equities Index Uns Ln Stk 2004 - 133 (8Jy92)
Scottish Investment Trust PLC3.85% Cum Pfd Stk - £48 (8Jy92)
4.55% Cum "A" Prf Stk - £56 (8Jy92)
Scottish National Trust PLC10% Deb Stk 2011 - £102
Securities Trust of Scotland PLC7% Deb Stk 88/93 - £97
Shires Investment PLCWarrants to sub for Ord - 46 (7Jy92)
TR Smaller Companies Inv Trust PLC 10½% Deb Stk 2016 - £108½
Temple Bar Investment Trust PLC7% Cum Prf Stk £1 - 67
Templeton Emerging Markets IT PLC Ord 25p (RFD-1/5/92) - 165
Throgmorton Trust PLC12 5/16% Deb Stk 2010 - £119½ (8Jy92)
Witan Investment Co PLC8% Deb Stk 96/99 - £92 (6Jy92)
8½% Deb Stk 2016 - £89¾ (8Jy92)

Miscellaneous Warrants
No. of bargains included 1

Barclays De Zoete Wedd Wts Ld Put Wts (Srs D) Rltg FTSE 100 29/9/92 - £0.29 0.31 (8Jy92)
Put Wts (Srs F) Rltg FTSE 100 29/9/92 - £0.12 (3Jy92)

...

Yates Bros Wine Lodges PLC... £0.9 (7Jy92)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Actinor AS NKr76.0 (6/7)
Aust. Foundation Inv A$2.003 (7/7)
Bank Of East Asia HK$37.350♦
Berjuntai Tin Dredging 33 (7/7)
Bukit Sembawang 232 (7/7)
Community Psychiatric Centers $11.4125
Devex 30 (8/7)
Futuris Corp A$0.8422 (6/7)
Harland (John H) Co £11¼ (7/7)
Idaho Power Co $26.012♦ (8/7)
Kulim Malaysia Ord 23♦ (8/7)
National Electronics Holdings HK$0.949 (6/7)
North Flinders Mines A$3.835 (8/7)
Oil Search 29, A$0.7956
Regal Hotels (Hldgs) HK$1.09, 1.15
Rutgerswerke AG DM452♦ (8/7)
Samantha Holdings Berhad A$0.99 (3/7)
Sappi Ltd $11.5 (6/7)
Storer Communications SKr297.77 (3/7)
Terrex Resources A$0.075 (8/7)

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LONDON STOCK EXCHANGE

Account closes with renewed losses

By Terry Byland
UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Jun 29	Jul 13	Jul 27
Option Declarations:		
Jul 9	Jul 23	Aug 6
Last Dealings:		
Jul 10	Jul 24	Aug 7
Account Day:		
Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

A FORAY into the FT-SE 2,500-plus territory proved only too brief yesterday and the UK stock market ended the two week trading account firmly on the downward path again. Good news on domestic inflation had been largely discounted and served only to depress shares in the retail store companies which have been forced to trim prices in the face of weak demand.

In very early trading, the market was ahead by more than nine points for a Footsie reading of 2,507.0. The mood was brightened by the 30 point gain in the Dow Industrial Average overnight. But the buying orders in London represented little more than the final fling of the bear-closers, needing stock to meet previous selling commitments. Once these technical traders had finished, the market was left to the mercy of the depressing economic and corporate background, enlivened in places by some highly speculative features.

The FT-SE Index closed down 7.1 at 2,490.8, moving uneasily in late trading as Wall Street made a slow start to the new trading session. S.G. Warburg Securities cut its year-end forecast for the Footsie from 2,900 to 2,750 yesterday.

News that the UK June Retail Price Index had risen by only an annualised 3.9 per cent helped government bonds for a while but gilt-edged stocks were shading easier at the close.

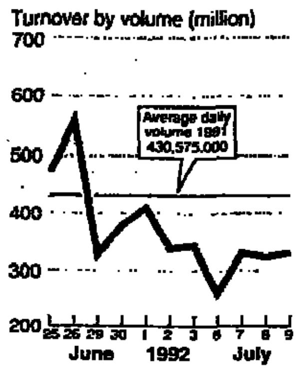
Although it lost only 6.3 last week, the Footsie has shed 43.3 points, or 1.7 per cent over the two week trading account. Investors' confidence has been shaken by downgradings of corporate profit forecasts by brokerage houses and by a flow of misfortunes in the new issue market, ranging from the price reduction of the MFI issue and the failure of The Telegraph share sale.

The rally prompted by bear-closers towards the end of the week has been strengthened significantly by heavy demand from the US for the pharmaceutical leaders; Glaxo and SmithKline Beecham have risen sharply - but not Wellcome, whose share placing closes in a fortnight. Some US funds are believed to have turned firmly against the Wellcome placing and are applying funds once earmarked for Wellcome to increasing weighting elsewhere in the sector.

Seaq volume moved higher yesterday, totalling 519.5m shares compared with 487m on Thursday, when retail business climbed above the £1bn mark for the first time this account.

● Retail, or customer, business in equities has remained at very low levels this week as investors have shied away from a nervous market.

London SE volume



FINANCIAL TIMES STOCK INDICES

	July 10	July 9	July 8	July 7	July 6	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.66	89.72	89.82	89.64	89.72	88.82	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.22	106.15	106.10	106.32	106.35	104.63	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1903.7	1913.9	1891.1	1906.2	1891.0	2025.3	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	84.0	83.8	83.6	86.6	89.5	103.7	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2490.8	2497.9	2472.6	2493.7	2469.0	2603.7	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1158.17	1158.82	1148.89	1157.81	1156.32	1207.55	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.78	4.78	4.85	4.81	4.87	4.56				
●Earning Yld %(full)	6.97	7.00	7.10	7.05	7.13	6.69				
●P/E Ratio(Net)(☆)	18.00	17.93	17.67	17.79	17.61	18.75				
SEAQ Bargns 5.00pm	24,958	20,962	21,772	21,241	19,491	27,661				
Equity Turnover(£m)†	-	1042.7	816.9	844.0	581.4	1098.2				
Equity Bargains†	-	23,396	24,211	23,270	22,265	30,736				
Shares Traded (ml)†	-	431.7	324.7	331.9	262.6	471.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.74

Ordinary Share Index, Hourly changes — Day's High 1920.9 — Day's Low 1902.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1918.2	1916.3	1912.1	1918.0	1917.4	1910.0	1910.1	1908.1	1904.3

FT-SE 100, Hourly changes — Day's High 2507.0 — Day's Low 2489.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2504.1	2504.0	2497.5	2504.9	2505.4	2497.5	2497.6	2494.7	2490.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1162.19 — Day's Low 1158.15

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1158.94	1160.57	1161.41	1161.84	1160.18	1159.65	1158.80

GILT EDGED ACTIVITY

Indices*	July 9	July 8
Gilt Edged Bargains	82.0	93.3
5-Day average	90.3	94.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Selling raid on Costain

A WEEK of widespread gloom in the housebuilding and general contracting area of the market culminated in another bear raid on shares of Costain, the international construction and mining group. A big slide in Costain stock was triggered by one US investment bank trying to unload a large block of shares into the market.

At one point Costain shares had fallen to 29p, the lowest since 1976 after a host of bearish stories – all subsequently denied by the company – circulated in the market. Costain's Hong Kong interests and its Channel Tunnel operations were all rumoured to have been encountering problems.

Costain shares reached a peak 366p in the autumn of 1987. By the close of trading yesterday, the shares had rallied to end the day a net 8 down at 30½p, a fall of almost 21 per cent. Since the start of the year Costain shares have more than halved.

Mr Tom Slee, Costain's finance director, later denied that the group had any problems with its bankers. The group was also reported as saying the proposed flotation of its Australian interests was going smoothly.

Fisons setback

End-of-account speculation forced Fisons down to its lowest level for nearly seven years. Despite the disbelief of many and the insistence of the company that the speculation was unfounded, the shares slumped 18 to 189p on heavy turnover of 6.4m.

Dealers said a Sunday newspaper would carry a hard-hitting story on the pharmaceuticals group. Fisons said yesterday it had spoken to the journalist involved and been told a story had been written on the new management but the article was positive rather than negative. There was no assurance that the story would appear this Sunday.

Fisons has languished since a profits warning in mid-June which sent the shares down 100 points in a day. Analysts said yesterday they saw no recovery in the price until Opticrom, the company's eye treatment receives approval for use by the Food and Drug Administration. Opticrom was withdrawn from the US in 1989 and is now unlikely to be relicensed in time for the US ragweed season which starts in August, observers say.

A series of downgrades in the big building stocks continued with Mowlem said to have been downrated and BZW said to have lowered profit expectations for Taylor Woodrow. Dealers said BZW had erased their previous £25m profits expectation for the group and looked for the company to do no better than break even this year. For next year the broker chopped its previous forecast from £42m to £35. Taylor Woodrow shares eased to 78p.

Racal Electronics was the most heavily traded stock in a generally active electronics/telecoms sector after visits by analysts at leading brokers firms. The shares rose 2¼ to 67p on turnover of 12m.

Cable and Wireless (C and W) gave a ready response to a story carried in the Financial Times Telecoms Markets newsletter suggesting that Mercury, C and W's telecoms subsidiary is to take a stake in TeleWest, the UK's largest cable operator, owned by TeleCommunications of the US and US West. The stock rose to 529p but later dipped to close 3 off at 522p.

Vodafone lost 8 more to 302p but dealers expect the shares to respond to a series of presentations to institutions. Amstrad dropped 1½ to 31½p with analysts said to be concerned at the company's refusal to return calls about current trading.

A switch recommendation, out of Barclays and into NatWest, issued by Mr Derek Chambers, banks specialist at Carr Kitcat & Aitken, saw the former slip 2 to 320p on 3.7m and the latter move up 7 to 335p on 3.3m.

The Carr analyst reduced his interim profits forecast for Barclays from £378m to £150m and for the full year from £600m to £450m. He expects NatWest to achieve profits of £300m for the interim period and £750m for the year.

A host of buy recommendations, notably from Goldman Sachs, Carr Kitcat and BZW, produced another strong showing from Prudential whose shares ran up a further 5 to 247p, after 249p, with turnover increasing sharply to 11m.

A growing conviction in the market that US institutions as well as Japanese investors are taking a much cooler view of the forthcoming Wellcome share flotation hit the shares. Wellcome fell 20 to 875p.

Glaxo extended recent gains as SG Warburg Securities repeated its buy recommendation. The house is looking for profits of £1,425m for the year just ended. The shares jumped 22 before settling for a gain of 3 at 710p

Speculation that US investment bank Goldman Sachs had attempted to offload a 10m share stake in ICI gave an opportunity for a bounce of 14 to 1163p. ICI has been depressed by worries over the possible overhang of stock after Goldman Sachs acquired 20m shares from Hanson on May 8, reportedly for 1400p a share. However turnover yesterday was only 2m shares.

Aegis, the holding company for the world's largest group of media buying and planning specialists, dropped a further 17 to 39p after a sell note from agency broker James Capel hit clients desks. The shares have fallen from around 90p in the past week since Capel first slashed its profits forecasts, initially by £20m but then adjusting in the note to a cut of £17m to £32m for 1992.

Dealers said big institutions were unwilling to touch the stock and that even small selling was sending the share price down sharply. However, Capel believes that at 40p the risk-reward equation is balanced and that the shares are beginning to look attractive.

More gloom descended on an oil sector still affected by the recent slide in crude oil prices, a weak dollar and a host of profit downgrades as Shell hosted a presentation to analysts.

The Shell presentation was described as "bearish" by one analyst who said the company had spoken of inexorably rising costs in the North Sea operations which were putting pressure on profits.

Shell shares reacted predictably to the gloomy news from the presentation, delivered in London, and fell 9¼ to 482½p on keen turnover of 4.2m.

There was no let up in the selling pressure on BP. Overnight selling in the US, resulting from the series of UK broker downgrades on Thursday, and a constant flow of selling orders from UK institutions left the stock a further 6 weaker at 203½p with turnover a hefty 16m shares. Enterprise Oil, also upset by recent broker downgrades, fell 7 to 378p.

Food retailer Argyll gained on a reported recommendation from Hoare Govett ahead of the group's annual meeting next Wednesday. Dealers said Hoare argued that Argyll's current trading was going well and expected the company's agm statement to be upbeat. The shares gained 8 to 357p on turnover of 1.7m.

Shares in engineering group Vickers recovered from earlier weakness that followed a Smith New Court deal in which the broker bought a block of around 3.8m shares at 129p and sold it at 131p. Having shed 1½p to 132½p, the shares recovered to end at 134p, unchanged on turnover of 8.5m shares.

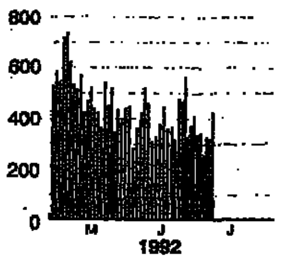
MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 11.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (27).
BRITISH FUNDS (18) Fd 3½pc '99-04, Cv 9½pc '04, Cv 9½pc '05, Tr 8pc '02-06, Tr 8½pc '07, Tr 8pc '09, Cv 9pc '11, Tr 9pc '12, Do A, Tr 5½pc '08-12, Tr 7¾pc '12-15, Ex 12pc '13-17, Tr 8¾pc '17, War Loan 3½pc, Cv 3½pc '61 Aft, Tr 3pc '66 Aft, Consld 2½pc, Tr 2½pc, OTHER FIXED INTEREST (1) African Devlpt 11¼pc '10, BANKS (2) Bk Scotland 9¾pc Pf, HSBC, CHEMICALS (1) Halstead (J), INVESTMENT TRUSTS (4) GT Ventura, Do Wts, New Frontiers 6¾pc '10, St Davids Zero Pf, PROPERTY (1) HK Land.
NEW LOWS (119).
BRITISH FUNDS (1) Ex 13½pc '92, CANADIANS (1) Hudson's Bay, BREWERS & DISTILLERS (3) Burn Stewart, Fuller STA, Macdonald Martin, BUILDING MATERIALS (8) Brit Fittings, Evered Bardon, Ibstock Johnsen, Marshalls, Sharpe & Fisher, Travis Perkins, BUSINESS SERVICES (1) Air London, CONGLOMERATES (1) Ropner, CONTRACTING & CONSTRUCTION (7) AMEC, Bett Bros, Campbell & Armstrong, Costain, EBC, Mowlem (J), Wilson (C), ELECTRICALS (2) Bennett & Fountain, Dale, ELECTRONICS (4) Alphameric, Kalamazoo, Kewill Systems, Molynx, ENGINEERING GENERAL (4) Beverley, Brasway, Jones & Shipman; Meggitt, HEALTH & HOUSEHOLD (3) Fisons, Specialeyes, Swallowfield, HOTELS & LEISURE (3) Owners Abroad, Resort Hts, Wharfedale, INSURANCE BROKERS (7) Bradstock, Heath (CE), Hogg, JIB, PWS, Steel Burrill Jones, Sturge, INSURANCE COMPOSITE (1) Travelers, INVESTMENT TRUSTS (14) Contl Assets, Drayton Far East, Drayton Korea, Exmoor Dual Inv, Do Inc, First Spanish Wts, Fleming Universal, Gartmore Value, Martin Currie, New Throgmorton, Select Assets, Schroders Japanese Wts, Siam Select Growth, Do Wts, MEDIA (3) Aegis, Novo, TSW, MERCHANT BANKS (1) Brown Shipley, METAL & METAL FORMING (3) Cook (Wm), Cooper (F), Triplex Lloyd, MISCELLANEOUS (7) Assoc Brit Consultants, Black (P), Hartstone, Laser-Scan, Savage, Waste Mangt, MOTORS (1) Vardy OIL & GAS (3) Clyde, Midland & Scott Res, Utd Energy, OTHER FINANCIAL (2) Benchmark, Union Discount, OTHER INDUSTRIAL MATERIALS (2) Tex, Whitecroft, PROPERTY (18) Barlows, Bilton, Brixton Est, Capital & Regnl, Dencora, Greycoat, Hammerson, Herring Baker Harris, MEPC, Olives, Ossory Ests, Palmerston, Property Security, Regalian, Slough, Southend, Do Wts, Stanhope, Warner Est, STORES (4) Argos, Asprey, Austin Reed N/V, Blacks Leis, TEXTILES (5) Caldwell, Campari, Lister, Pepe, Sirdar, TRANSPORT (1) Ocean, MINES (16) Beatrix, Durban Deep, East Dagga, Elandsrand, Hartebeest, Kinross, Julia, Randfontein Ests, Samson Expim, Winkelhaak.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	47	7	28	121	206	83
Other Fixed Interest	2	3	10	16	20	39
Commercial, Industrial	192	343	903	851	2,180	4,171
Financial & Property	84	163	547	418	1,037	2,515
Oil & Gas	12	14	60	55	113	266
Plantations	0	0	9	0	1	44
Mines	44	21	84	135	199	415
Others	66	13	53	176	174	307
Totals	447	564	1,694	1,772	3,930	7,840

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	17	463	
ASDA Group	20,000	25¾	-1½
Abbey National	1,500	276	+5
Albert Fisher	11,000	39	-2
Allied-Lyons	1,100	631	
Amstrad	3,700	31½	-½
Anglian Water	609	414	-1
Argos	411	222	-4
Argyll Group	3,300	354	+4
Arjo Wiggins	3,200	238	-4
Ass. Brit. Foods	168	432	+1
Ass. Brit. Ports	329	345	+5
BAA	650	861	-2
BAT Inds	3,900	774	+14
BET	2,900	140	-5
BICC	584	293	-13
BOC	1,300	641	+1
BPB Inds.	197	155	-2
BT	9,100	357	+5
BT New	8,200	256	+5
BTR	2,900	445	-3
Bank of Scotland	401	113	+1
Barclays	3,700	320	-2
Bass	2,500	553	+3
Berisford Int.	397	15½	-1
Blue Circle	659	209	-2
Booker	367	441	-11
Boots	2,300	471	-4
Bowater	372	769	-3
Brit. Aerospace	1,200	246	+1
British Airways	2,400	279	+3
British Gas	6,100	252	-2
British Land	183	179	
BP	18,000	203½	-6
British Steel	5,500	62	-2
Bunzl	63	97	
Burmah Castrol	407	573	+6
Burton	2,600	42½	
Cable & Wire.	3,300	532	+7
Cadbury Schweppes	1,200	489	+4
Calor Group	215	787	+1
Carlton Comms	324	614	+4
Coats Viyella	652	186	+4

	Volume 000's	Closing Price	Day's change
Comm Union	1,300	459	-5
Cookson	390	143	
Courtaulds	584	513	-7
Dalgety	1,500	416	-4
De La Rue	32	580	
Dixons	679	210	-2
Eastern Elect.	2,000	289	+2
East Midland Elect.	1,000	307	-3
Eng China Clays	2,300	509	-3
Enterprise Oil	858	378	-7
Eurotunnel Units	72	334	
FKI	1,200	78	
Fisons	6,400	189	-18
Forte	3,700	171	-2
Gen. Accident	713	427	-3
General Elect.	4,400	234	-½
Glaxo	6,400	710	+3
Glynwed Intl.	126	216	
Granada	922	253	-4
Grand Met	2,800	463	+5
GUS A	449	1433	-2
GRE	578	135	-2
GKN	872	365	-4
Guinness	2,400	591	+4
Hammerson 'A'	212	296	-10
Hanson	8,200	205	-1½
Hanson Warrants	890	27¼	
Harrisons Crosfield	1,800	129	-1
Hillsdown	3,500	142	-3
IMI	651	278	+4
ICI	2,000	1163	+14
Inchcape	1,800	446	+10
Kingfisher	1,600	465	-4
Kwik Save	216	635	
Ladbroke	5,600	200	-4
Land Securities	1,500	395	
Laporte	75	590	+2
Legal & General	575	357	-1
Lloyds Abbey	651	378	-2
Lloyds Bank	2,100	427	+9
LASMO	3,900	163	-2
London Elect.	1,200	317	-9
Lonrho	898	69	

	Volume 000's	Closing Price	Day's change
Lucas	3,500	120	-4
MB Caradon	968	243	-7
MEPC	290	296	
Manweb	72	365	-4
Marks & Spencer	3,100	308	-8
Midland Bank	1,700	467	+5
Midlands Elect.	2,100	316	-10
NFC	620	253	+2
NatWest Bank	3,300	335	+7
National Power	2,000	245	-4
Next	1,300	89	-1½
North West Water	2,200	431	+2
Northern Elect.	710	336	-10
Northern Foods	1,000	607	+2
Norweb	1,000	350	-11
Pearson	767	363	-7
P & O	3,100	398	-10
Pilkington	2,000	115½	-1½
PowerGen	2,700	257	-3
Prudential	11,000	247	+5
RHM	314	199	
RMC	308	547	
RTZ	912	563	-17
Racal	12,000	67	+2½
Rank Org	694	619	-5
Reckitt & Colman	324	606	
Redland	424	477	-10
Reed Intl	1,100	522	-3
Rentokil	358	161	-3
Reuters	814	1140	+5
Rolls Royce	4,200	146	
Rothmans	57	1100	+10
Ryl Bk Scotland	1,800	188	+1
Royal Insurance	573	295	+4
Saatchi	903	131	+1
Sainsbury	4,700	447	-7
Scottish & New	1,400	449	-4
Scot. Hydro-Elect.	1,600	196	-3
Scottish Power	1,400	182	-2
Sears	7,300	81	+4
Sedgwick	637	177	-4
Seeboard	616	327	-3
Severn Trent Water	1,200	407	-2

	Volume 000's	Closing Price	Day's change
Shell Transport	4,200	482½	-9½
Siebe	160	663	
Slough Ests	631	140	-4
Smith (W H) A	663	418	-10
Smith & Nephew	2,400	144	+½
SmKl Beecham	1,500	452	
SmKl Beecham Uts	152	409½	-37
Smiths Inds.	846	285	+1
Southern Elect.	759	300	-8
South Wales Elect	540	388	-3
South West Water	79	408	-1
South West. Elect.	1,000	318	-2
Southern Water	337	394	
Standard Chartd.	1,200	416	+3
Storehouse	436	135	-2
Sun Alliance	1,500	266	
T&N	980	150	
TI Group	1,500	328	+3
TSB	4,400	142	-1
Tarmac	2,500	92	-1
Tate & Lyle	1,100	368	+3
Taylor Woodrow	550	78	-1
Tesco	6,300	255	-5
Thames Water	314	436	-2
Thorn EMI	1,200	794	+8
Tomkins	871	459	+18
Trafalgar House	3,800	92	+2
Unigate	793	307	-3
Unilever	1,200	941	-2
United Biscuits	783	352	-4
Utd Newspapers	955	415	+7
Vodafone	1,400	302	-8
Warburg (SG)	51	459	+1
Wellcome	294	875	-20
Welsh Water	118	457	+1
Wessex Water	779	490	+1
Whitbread 'A'	1,600	444	+5
Williams Hldgs	2,100	284	-6
Willis Corroon	1,600	204	+2
Wimpey	683	132	-4
Wolseley	288	383	+8
Yorkshire Elect	2,400	360½	-6½
Yorkshire Water	579	450	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures ended the trading account on a dull note as worries about the outlook for the UK economy outweighed better than expected figures on UK inflation, writes Joel Kibazo.

After opening at 2,528 the September contract on the FT-SE drifted lower in quiet trading to reach 2513 by 10 am. The release of better than forecast UK inflation figures caused a turnaround in September and sent the contract forward reaching 2,537 around midday. This proved to be the high for the session with dealers thereafter focussing on the negative aspects of the economy. A firm Wall Street had no impact and September eventually closed at 2,509, down 12 on Thursday's close and around 5 points below its fair value premium to cash of about 25. Turnover reached 7,194 contracts.

Turnover in traded options improved to reach 33,867, against Thursday's 31,998 lots. Volume in the FT-SE option was also better reaching 12,066 lot. Asda was the busiest stock option with 2,015 total trades while the HSBC stock option which began trading yesterday recorded 640 trades by the close.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2048	-0.884	8.91	8.70	8.97
BELGIUM		9.000	06/01	100.6500	-0.250	8.86	8.81	8.89
CANADA *		8.500	04/02	104.8500	+0.400	7.78	7.92	8.35
DENMARK		9.000	11/00	99.7000	-0.100	9.03	8.97	8.94
FRANCE	BTAN	8.500	03/97	97.8025	-0.216	9.07	8.90	8.93
	OAT	8.500	11/02	98.1500	-0.190	8.76	8.69	8.73
GERMANY		8.000	01/02	99.9650	-0.195	7.99	7.96	7.91
ITALY		12.000	05/02	95.0200	-0.170	13.32†	13.44	13.11
JAPAN	No 119	4.800	06/99	96.9459	+0.003	5.41	5.40	5.75
	No 129	6.400	03/00	106.6802	+0.083	5.18	5.21	5.51
NETHERLANDS		8.250	02/02	99.6000	-0.110	8.29	8.28	8.28
SPAIN		11.300	01/02	98.2700	+0.090	11.57	11.63	11.42
UK GILTS		10.000	11/96	103-04	-2/32	9.10	9.01	9.23
		9.750	06/02	104-29	+1/32	9.00	8.96	9.15
		9.000	10/08	101-23	+1/32	8.80	8.78	9.03
US TREASURY *		7.500	05/02	104-06	-0.188	6.90	6.92	7.34
		8.000	11/21	104-12	-9/32	7.62	7.63	7.89
ECU (French Govt)		8.500	03/02	97.1100	-0.190	8.95	8.88	8.94

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday July 10 1992

Water	+	29.68
Motors	+	18.99
Electronics	+	16.82
Food Retailing	+	14.00
Electricity	+	11.91
Other Industrial Materials	+	11.58
Banks	+	10.54
Textiles	+	10.04
Media	+	7.94
Capital Goods	+	7.05
Packaging, Paper & Printing	+	7.00
Brewers & Distillers	+	6.55
Engineering-General	+	5.74
Other Groups	+	5.31
Transport	+	4.50
Electricals	+	4.17
Industrial Group	+	2.65
Stores	+	1.87
Telephone Networks	+	1.34
500 Share Index	+	0.67
Engineering-Aerospace	+	0.63
All-Share Index	+	0.56
Food Manufacturing	+	0.20
Merchant Banks	+	0.04
Consumer Group	-	0.12
Building Materials	-	0.16
Metals & Metal Forming	-	0.19
Insurance (Life)	-	0.50
Chemicals	-	0.85
Financial Group	-	0.96
Hotels & Leisure	-	1.36
Business Services	-	1.68
Investment Trusts	-	2.61
Conglomerates	-	4.17
Insurance (Composite)	-	7.75
Contracting, Construction	-	11.82
Health & Household	-	13.01
Oil & Gas	-	13.89
Insurance Brokers	-	18.43
Property	-	24.51
Gold Mines Index	-	39.09

COMMODITIES

WEEK IN THE MARKETS

$160m Saudi sale savages silver

THE NATIONAL Commercial Bank of Jeddah has once again stolen the headlines in the London bullion market – this time with a huge sale of silver.

The private Saudi Arabian bank, which has close links with the royal family, is thought by some traders to have sold between 40m and 50m troy ounces, or 1,244 tonnes, worth $160m in two hours on Tuesday. Only such an amount could have knocked the price from $4.06 an ounce down to the year's low of $3.82, they argue.

The bank itself denies that it sold so much. An NCB official told Reuters on Wednesday that the sale was less than 20m ounces and was "a purely commercial transaction" on behalf of big Saudi clients.

However, traders immediately linked the sale with the announcement of the resignation of Sheikh Khalid bin Mahfouz, the bank's deputy general manager and chief operating officer. He was indicted in the US last week on charges related to the collapsed Bank of Credit and Commerce International. Sheikh Khalid has described the charges as "completely unwarranted and without justification."

Separately, it emerged on Thursday that he had been fined $170m by the US Federal Reserve Board for violations of US banking law. Dealers were quick to point out that, as one put it, this week's sale "fits the fine."

Analysts believe the market will take some time to absorb such an amount of silver, which is equivalent to more than 10 per cent of annual worldwide demand. The metal closed yesterday at 3.94 a troy ounce, down 11 cents on the week having recovered about 50 per cent of Tuesday's fall. Some dealers were surprised yesterday when the price hit a high of $3.98, pointing out that the $4 mark was likely to make a tough near-term target.

Mr Andy Smith, analyst at the Union Bank of Switzerland, pointed out that the NCB hit the gold market in a similar way in March 1990, selling 100 tonnes and driving the price down by $20 to $368 a troy ounce in a few hours. Then the market had reacted similarly, quickly recovering about 50 per cent of the fall as it searched for direction.

Gold yesterday moved above $350 on the London market as speculators tried to push Comex up ahead of yesterday's expiry of August options with a put price at that level.

But the London afternoon fix was $348.70, and the market closed at $348.45 – still a rise of $2.45 on the week. Most of that rise was accounted for on Wednesday on relief that the NCB had not sold gold again. Sentiment remains bullish, however, and another test of $350 cannot be ruled out next week.

On the London Metal Exchange most attention has been directed towards the copper market, where the justification for high prices (three-month metal has been trading above $2,500 a tonne) has been questioned.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+575	to 1,301,125
Copper	-350	to 262,400
Lead	-200	to 145,400
Nickel	-360	to 25,608
Zinc	+2,050	to 335,300
Tin	+455	to 13,865

Sir Derek Birkin, chairman of the RTZ Corporation, the world's biggest mining group, said in Tokyo on Wednesday that he was surprised by some copper price forecasts as there was no evidence of the recession ending and he thought it unlikely that the metal would reach $1.50 a lb. Mr Paul Hansen, president of the Highland Valley Copper company in Canada, said there was not enough underlying demand for the market to maintain its momentum. "North America and Japan are still mired in recession and we really don't see the fundamentals in place at this point."

This week's upward move peaked on Thursday with cash metal closing at £1,332.50 a tonne in spite of the completion of a new labour contract by Asarco, one of the big US producers, and in spite of the widely expected news of a strike from July 20 at Poland's giant KGHM combine.

Yesterday the reaction set in, and cash copper shed £38 to close at £1,294.50, down £18 on the week.

Both London's robusta coffee and cocoa prices have moved ahead this week, September coffee closing up $69 on the week at $776 a tonne yesterday, and September cocoa up £24 at a two-month high of £614 a tonne. Cocoa has risen mainly on the continued absence of sales from countries of origin, particularly the Ivory Coast, which appears to be waiting for the outcome of the Geneva talks on a new international pact.

The improvement in coffee appears to be mainly technical, and dealers expect a limited trading range ahead of the next talks on a new coffee pact in London at the end of the month.

David Blackwell

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AUTHORISED UNIT TRUSTS

For Mayflower Mangmt see Sheppards UT Mangmt

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	124 6	124 6xd	132.4	+1.50	0.00
(Accum Units)	5	133 1	133.1xd	141.5	+2 60	0.00
American Opps	5	49.87	49.97	53 20	+0.86	0.00
(Accum Units)	5	50 56	50 55	53.92	+0 87	0.00
British Blue Chip	5	61.91	61.94	66.07	+0.65	4.04
(Accum Units)	5	70.81	70 84	75 57	+0.75	4 04
Cash ♦	0	101 7	101 7	101.7	—	9.98
(Accum Units) ♦	0	123.2	123.2	123.2	—	9 98
European Growth	5	157.8	157.8	167.3	+0 10	0.54
(Accum Units)	5	167.5	167.5	177 6	+0.10	0.54
European Income	5	60 77	60.77xd	64.49	-0.07	5.64
(Accum Units)	5	75.90	75.90xd	80 55	-0.09	5 64
General	5	383.0	384.5	410 2	+3 60	2.96
(Accum Units)	5	711 8	714 6	762.3	+6 90	2.96
Global Bond	5	105.9	105 9	111 3	+0 50	6.64
(Accum Units)	5	112 8	112.8	118.5	+0 40	6 64

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	86.30	86.30	91.80	—	3.76
UK Equity†	6	106.92	108 47	115.39	—	4.23
UK Equity Income	6	101.76	103.57xd	110 18	—	5.83
UK Smaller Co's	6	89.85	93.32xd	99.28	—	2.97
UK Equity Growth	6	100.36	101.97	108.48	—	4.62
UK Index Tracking F	6	105 44	106.10	112.87	—	4.46
Intl Index Tracking F	6	90 79	91.55	97 39	—	1.83
International	6	147 89	149.52	159.06	—	2.11
European	6	120 94	121.97	129.69	—	1.38
Pan European	6	91.95	93.02xd	98.96	—	3.13
Nth American	6	113.56	114 48	121.79	—	2.37
Nth Amer Smllr Cos	6	96.98	99.13xd	105.46	—	0.00
Japanese	6	52 14	52.92xd	56.30	—	0.00
Pacific	6	122.03	123.90xd	131.81	—	1 14
South East Asian	6	124 56	126 62	134.70	—	1.07
International Bond	6	103 70	103 81	110.44	—	6.15
Gilt & Convertible	6	99.49	99.67xd	106.03	—	8 14
Property F	6	68 16	70 14xd	74 62	—	6 53
Cash Deposit Accum F	0	101.67	101.67	101.67	—	9.54

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
American	5	254 1	254 1	270 3	+6.5	0 87
(Accum Units)	5	299.1	299.1	318.1	+7 6	0.87
British	5	803.0	820 0	867 6	–0 2	6 23
(Accum Units)	5	1346.6	1375.1	1455.0	–0 3	6.23
European	5	335.2	335 2	356 6	–1 9	1 47
(Accum Units)	5	363.4	363.4	386.6	–2.0	1 47
Japan	5	89 83	89.83	95.50	–0.51	–
(Accum Units)	5	90.55	90 55	96 26	–0.52	–
New Pacific	5	199 7	200 4xd	213 4	+1.3	1 65
(Accum Units)	5	207 5	208 2	221.7	+1.3	1.65
Investment Tst June 12	0	134 8	137 4	145 6	....	2.50
Mngd Equity	5	123 7	124 9xd	132 1	+0 6	2 94
Mngd Equity Acc	5	133 3	134 6	142 4	+0.6	2 94
Mngd Cash	0	95.55	95.55xd	95.55	....	9 71
(Accum Units)	0	122 1	122.1	122.1	.....	9.71
Majority Stlg	1	99 64	99 64xd	100 64	....	9.45
Majority Stlg Acc	1	112.39	112.39	113.52	....	9.45

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
International Jul 1	0	47.71	47.71	48.21	....	11.53

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Equity	6	603 4	610 8	653 3	+4 6	3 07
North America	6	75 58	75 58	80 83	+0 99	0.61
Far East	6	84 00	84.00	89 84	+0 02	0 51
W wide Bond	6	47 10	47 10	50.31	–0 23	5.58
European	6	66 87	66 87	71 52	+0 04	1.74
Equity Income	6	66 19	66.19xd	70 79	+0 24	4.30
Portfolio	6	56.24	56.24	60 15	+0.28	1.70
UK Leading Cos	6	43.23	43.82	46 62	....	3 14
Broker Trusts						
Intl Equity	6	43 53	43.95	47.00	+0 02	2.90

Sun Life of Canada Unit Mgrs Ltd (1000)H

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	136.2	143.4	+0.1	-
Property Acc. (Gross)	259.5	273.2	+0.1	-
Equity (Gross)	856.0	901.0	+5.6	-
Managed (Gross)	604.6	636.4	+3.0	-
Property Acc. (Net)	124.0	130.6	+0.1	-
Equity (Net)	199.1	209.5	+1.2	-
Adventurous Managed	91.0	95.7	-0.1	-
Managed (Net)	186.2	196.0	+0.9	-
Cautious Managed	96.3	101.4		-
International (Net)	159.2	167.5	+1.2	-
Gilt & Fixed Interest	143.0	150.6	+0.5	-
Money Fund	140.1	147.5	....	-
Mixed Fund (Cap)	116.2	122.4		-
Mixed Fund (Acc)	120.7	127.1	.....	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	657.2	691.8	+4.4	-
Ret Man (Series 2)	222.8	234.6	+1.4	-
Ret Cash	197.6	208.0	.....	-
Pens Mixed Fd (Cap)	128.7	135.5		-
Pens Mixed Fd (Acc)	133.7	140.8	..	-
Pens Stg Fd (Cap)	103.7	109.2	.. ..	-
Pens Stg Fd (Acc)	107.7	113.4	.....	-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37–39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	131.0	138.0	+1.0	-
Building Soc. Fd	223.0	235.0	. .	-
Balanced	265.0	279.0		-
European	207.0	218.0	+1.0	-
GT Managed	182.0	192.0	.	-
Gartmore Mngd	119.0	126.0	-1.0	-
German	134.0	142.0		-
Gilt	177.0	187.0	+1.0	-
Global	40.0	43.0		-
International Equity	194.0	205.0	+1.0	-
Japan	159.0	168.0	-2.0	-

Provident Mutual Life Assc. Assn.—Contd.

Pension Funds	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	455.3	479.3	+1.7	-
Managed Init.	331.9	349.4	+1.3	-
Equity Ord	699.8	736.6	+4	-
Equity Init.	510.1	536.9	+2.8	-
Pen Ind Lkd Gilt Ord	190.6	200.6	+0.1	-
Pen Ind Lkd Gilt Init.	145.1	152.7		-
Overseas Equity Ord	289.6	304.8	+0.5	-
Overseas Equity Init.	211.1	222.2	+0.4	-
Property Ord.	280.4	295.2	+0.1	-
Property Init.	204.4	215.2	..	-
Fixed Interest Ord	294.7	310.2	+1	-
Fixed Interest Init.	214.9	226.2	+0.8	-
Deposit Ord	269.4	283.6	+0.1	-
Deposit Init.	196.4	206.7	+0.1	-

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prufund	Bid Price	Offer Price	+ or −	Yield Gross
Managed Jul 8	254.0	264.6	.	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

Prudential Managed Funds	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Jul 8	£182.56	188.43	.	-
Equity Jul 8	£210.89	218.07		-
International Jul 8	£25.52	26.23		-
Intl Bond Jul 8	£14.01	14.19		-
Fixed Int. Jul 8	£106.60	107.81		-
Index Linked Jul 8	£77.86	78.84	... ..	-
Property Jul 8	£109.47	115.53	.	-
Cash Jul 8	£30.8758	30.8758	..	-
Pru-Linked Retirement Plan				
Managed Jul 7	438.6	456.9		-
Cash Jul 7	283.5	295.4		-
Prudential Pensions Investment Account				
Pens Mngd Jul 13	176.8	190.2	+1.2	-
Pens UK Eq Jul 13	313.2	337.7	+2.7	-
Pens Intl Jul 13	187.5	201.7	+0.4	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Gartmore Fund Managers (IoM)

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (SG) Ltd

Appleton Financial Advisors Ltd

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgrs Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Global Funds Limited

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Brown Shipley Fund Mgmt (CI) Ltd

Capital House Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jy) Ltd

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mgt Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management Ltd

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitable International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Management (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO MIM International Limited

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Trust Intl Fd Mgt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Standard Chartered Offshore Fund Mgrs

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

Asian Intl Umbrella Fund (u)

Barclays Intl Funds (Luxembourg) (1400)F

CMI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

Commercial Union Luxembourg SA — Contd.

Dax Income Fund

DB Investment Management SA

Den norske Bank

Dresdnerbank Asset Mngt SA (u)

Eagle Star — Global Assets Fund (u)

EmilFund-Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group

Gartmore Indosuez Funds

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA (u)

Hypo Foreign & Colonial Port Fd Sicav (u)

INVESCO MIM International Limited (u)

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (u)

Latin American Management Co Ltd (u)

Liberty ALL-STAR World Ptfls-Eqty Fd(u)

Lloyds Bank Luxembourg

Midland Internatl Circuit Fund SICAV(u)

Nomura (Global Fund (u)

Norwich Union Intl Portfolio (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Quilter Global Fund (u)

Schroder International Selection Fd (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (u)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Atlantic Sicav

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

Citiport Investment Mgmt (Luxembourg) SA

Clements Korea Emerging Growth Fund

Credit Commercial de France

Credit Suisse

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

The Ergava Fund Sicav

Espirito Santo Investment Mgt (SICAV)

Fidelity Investment (CI) Ltd

Five Arrows Intl Bond Fund (u)

Fleming Group

Gartmore Luxembourg S.A.

H.C.M. HYPO Capital Mgt Luxembourg SA

Intermarket Multicurrency Fund

International Bond Trust

International Specialty Fund (u)

INVESCO MIM International Limited

Investissements Atlantiques SICAV

JC Global Fund-SICAV

Latin American Management Co Ltd

Laurent Intl Fds-Global P'folio PCP (u)

Lloyds Bank Luxembourg (u)

Mediterranean Fund Sicav (u)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Murray Universal Sicav

NM Income & Gwth Fd

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mgmt II

Narit Currency Fund

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

SCI/TECH SA

Skandifond

S.C. Europe Obligations SA

FFM / Swiss Financial Services

Target International Ltd

Templeton Worldwide Investments

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frnabrunner I (u)

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (u)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

The First Korea Smaller Companies Fund

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Julius Baer Bank & Trust Co Ltd

Julius Baer Multistock

Bank Fr Sera & Cr/Europ Inv Mgt Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Intl Investment Mgmt Ltd

Border Funds Ltd

The Brazilian Inv Fund

Bridge Management Ltd

Bridge Singapore Asset Mngmt Ltd

Butterfield Management Co Ltd

CA Securities Investment Fund Mngt Ltd

CDC International

Cantrade ITEC Fund Management

Capital International

Chameleon Funds Limited

The China Fund

Citizens Investment Trust Mgt Co Ltd

Consulight Investments Ltd (Hong Kong)

Credit Lyonnais Asset Management (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Daiwa International Capital Mgmt

DWS Deutsche Ges. F. Wertpapiersp

Dai-Ichi Kangyo Bank Ltd

Daiwa Asset Management Trust Co Ltd

Daiwa APT Japan Fund

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund

Dresdner Bank Intl

EBS Overseas Fund Ltd

E.F. Investment Management Ltd

Emerging Markets Management

English & Dutch Investment Trust

Ermitage Group

Europe 1992

Falcon Fund International Inc

Fidelity International Ltd

Fidelity Investment (CI) Ltd

First Mexico Income Fund

The Finance Chile Fund Ltd

Formosa Fund

Formosa Growth Fund Limited

Frankfurt Trust Investment-GmbH

Frank Russell Guernsey

Futures Fund Management Ltd

GT Chile Growth Fund Ltd

GT European Warrant Fd Mgrs (Lux) SA

GT Management Plc

Gamida Fund Mgmt

Gartmore Sector Analysis Portfolio NV

Gartmore SA

Global Asset Management

Global Asset Management—Contd.

Global Government Plus Fund

Granville Management Limited

Green Way Guaranteed Ltd

Groom One Limited

Guinness Flight Intl Fund Ltd

Hong Kong Fund

Indosuez Asia Invest Services Ltd

The India Magnum Fund NV

Investors Fund

The Japan Fund N.V.

The Japan Capital Secured Trust

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Kestrel

Korea Investment Trust Co Ltd

Korean Investment Trust

Lamberbank

Lehman Brothers Sports Growth Fund

Lippo Asia Ltd

Lloyd George Management

Lloyds Trust Co (CI) Mgrs

London Portfolio Services Group

MFS Meridian Funds

Malaysia Fund (Labuan)

Malaysia Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Managed Futures Institutional Fund Ltd

Man International Futures

Maverick International Fund

Merrill Lynch Asset Management

Merrill Lynch Bank (Suisse) S.A.

Momentum Asset Mngmt

Morgan Stanley Emerging Market Fund

Morgan Stanley Japanese Warrant Fund NV

National Investment Trust Company Ltd

Newport International Management

Newport Investment Management Ltd

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Northfield International Ltd

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

PFC Internatl Portfolio Fd Mgmt Ltd

PRS International

Pacific Growth Fund

Pakistan Fund

Petros Fund Selection Limited

Pierson Heldring & Pierson

Portuguese Investment Fund Ltd

Putnam International Advisers Ltd

Pyrford Investment Mngmt SA Switz

Quantum Group

Hill Samuel Investment Services Intl (u)

Samuel Montagu Hldgs NV Curacao

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Rothschild & Cie Banque

Royal Trust North American Bond Fd

Sabre Futures Fund

Safra Republic Holdings

Schroder Investment Management Limited

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Scimitar Bermuda Funds

Scudder, Stevens & Clark Inc

Sequoia Securities (Bermuda) Ltd

Shizuoka Investment Mngmt (Bermuda) Ltd

Sizan Smaller Companies Fund Ltd

Singer & Friedlander Ldn. Agents

Societe Generale Group

Societe Generale Merchant Bank plc

Sedlitz Asset Management Ltd

Tabasco Fund Managers Limited

Taipei Fund

Taiwan Tracker Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Intl Fund Ltd

Thames Currency Fund Ltd

Thornton Investment Management Ltd

Trans Global Investments Limited

Tudor BVI Futures Ltd

Tudor G-5 Ltd

Tudor G-5 Unit Trust (Japan)

Tyndall International (Bermuda) Ltd

The Vietnam Fund Limited

Wardley Investment Services Ltd

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. IT Fund

Worldwide Limited

Xiphias International Investment Fd Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES

	Jul 9	Jul 8	Jul 7	Jul 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3324.08	3293.28	3295.17	3339.21	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	100.94	100.71	100.50	100.44	100.94 (9/7)	98.41 (20/3)	100.94 (9/7/92)	54.99 (1/10/81)
Transport	1301.57	1289.61	1314.46	1321.19	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.08	217.64	216.45	215.26	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3345.42 (3323.00) Low 3292.47 (3258.70)

STANDARD AND POOR'S

	Jul 9	Jul 8	Jul 7	Jul 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.23	410.28	409.16	413.84	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	486.00	481.07	479.64	486.40	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.28	35.93	36.02	36.40	36.47 (2/7)	32.40 (8/4)	36.47 (2/7/92)	8.64 (1/10/74)
NYSE Composite	227.55	225.49	225.15	227.44	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	381.84	379.86	380.26	382.58	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	564.75	557.57	557.41	563.17	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 26	Jun 19	Jun 12	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.14	3.03	3.16

	Jul 8	Jul 1	Jun 24	year ago (approx.)
S & P Industrial div. yield	2.68	2.66	2.72	2.96
S & P Indl. P/E ratio	28.45	28.74	28.14	16.95

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Limited	4,395,600	19¾	- ⅛
RJR Nabisco	2,882,600	9⅛	+ ⅛
Philip Morris	2,753,800	79⅝	+ 1
Glaxo	2,647,800	26⅜	+ ⅛
Union Carbide	2,198,400	12⅝	+ ⅛
Coca Cola	2,093,000	43⅛	+ ⅛
BankAmerica	2,022,200	42⅛	- ⅛
Advanced Micro	1,978,600	8	+ ⅛
Abbott Labs	1,856,300	29⅞	...
N Am Mtg Corp	1,846,600	12⅛	.

TRADING ACTIVITY

† Volume (Millions)	Jul 9	Jul 8	Jul 7
New York SE	209.325	200.020	220.345
Amex	9.888	9.550	10.996
NASDAQ	175.838	161.625	174.407
NYSE			
Issues Traded	2,284	2,293	2,281
Rises	1,234	805	696
Falls	500	895	1,048
Unchanged	550	593	537
New Highs	86	79	103
New Lows	30	50	44

CANADA

TORONTO

	Jul 9	Jul 8	Jul 7	Jul 6	1992 HIGH	1992 LOW
Metals & Minerals	3201.46	3172.31	3161.97	3168.98	3238.87 (16/1)	2828.26 (8/4)
Composite	3439.80	3418.40	3416.29	3426.91	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1826.31	1814.48	1809.83	1817.24	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 10	Jul 9	Jul 8	Jul 7	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1644.4	1642.1	1651.4	1660.5	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	723.8	719.8	721.2	725.3	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	369.86	373.50	376.21	382.31	458.57 (24/2)	369.86 (10/7)
Traded Index (2/1/91)	889.07	900.25	907.62	925.24	1099.43 (24/2)	889.07 (10/7)
BELGIUM						
BEL20 (1/1/91)	1171.71	1168.08	1164.72	1170.44	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	318.14	317.34	318.07	319.45	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	744.3	736.5	738.0	741.9	935.90 (24/2)	736.50 (9/7)
FRANCE						
CAC General (31/12/82)	506.98	502.90	506.62	509.74	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1859.44	1861.84	1847.75	1879.09	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	(u)	694.50	694.45	697.36	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1962.5	1963.9	1963.3	1970.0	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1754.43	1757.64	1751.18	1767.51	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5981.36	5925.5	5981.91	5911.92	6134.75 (1/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1276.64	1267.03	1267.52	1280.82	1469.57 (17/1)	1267.03 (9/7)
ITALY						
Banca Com. Ital. (1972)	442.24	433.21	429.12	434.20	551.59 (6/2)	429.12 (8/7)
MIB General (2/1/92)	868.0	850.0	842.0	852.0	1086.00 (5/2)	842.00 (8/7)
JAPAN						
Nikkei (16/5/49)	16783.72	16849.66	16600.26	16459.56	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1283.58	1284.93	1274.13	1271.15	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1895.50	1888.91	1891.08	1907.01	2459.85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	611.57	603.72	595.97	596.7	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	300.2	300.3	297.9	299.5	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	205.1	205.2	203.5	204.6	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	681.12	671.57	670.8	681.19	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1476.28	1435.52	1481.82	(u)	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	401.36	400.63	399.37	399.32	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1072.0	1052.9	1076.0	1067.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4383.0	4334.0	4304.0	4367.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	523.88	523.07	531.79	535.34	691.48 (8/2)	523.07 (9/7)
SPAIN						
Madrid SE (30/12/85)	235.70	235.92	233.61	234.29	266.51 (28/2)	233.61 (8/7)
SWEDEN						
Affarsvarlden Gen (1/2/37)	897.3	885.1	877.5	894.4	1014.50 (11/5)	877.50 (8/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	841.1	825.1	839.6	847.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	637.8	633.1	635.3	642.6	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4316.79	4337.99	4329.31	4432.22	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	739.13	743.11	729.24	731.82	832.39 (7/4)	667.84 (19/5)
WORLD						
M S Capital Intl (1/1/70) (S)	502.3*	502.6	500.8	501.3	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	903.73	901.38	893.55	902.62	976.95 (25/5)	870.31 (2/1)

**Saturday July 4. Taiwan Weighted Price 4534.31, Korea Comp Ex. 545.41.
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

AMERICA

Dow offers muted reaction to PPI data

Wall Street

US EQUITIES were narrowly mixed in slow, summer trading, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was 5.13 higher at 3,329.21 in volume of under 103m shares. Other market indices also posted gains, with the Standard & Poors 500 up 0.62 at 414.85 and the Nasdaq composite rising 2.67 to 567.42. On Thursday, the Dow climbed 30.80 to 3,324.08.

The stock market's reaction to a favourable inflation report, based on the June producer price index, was muted. The index advanced 0.2 per cent over the month. Excluding the volatile food and energy components, the core PPI rate fell by0.1 per cent. This is the first decline in the core index since February 1987.

The beginning of the second quarter result season has started to have an impact on Wall Street.

Among featured issues, Conner Peripherals, which makes Winchester disk drives, climbed $1 to $20¼ in active trading. The company reported second quarter net income of 77 cents a share, up from 45 cents, late on Thursday.

Dallas Semiconductor advanced $¾ to a 52-week high of $9¾ on stronger-than-expected second quarter net earnings of 18 cents a share against 16 cents the previous year.

In contrast, Sierra Pacific Resources plunged $5¾ to a 52-week low of $18 following a cut in its quarterly dividend to 28 cents from 46 cents. The utility group has also said it will restate its earnings from 1980 through 1991 to lower levels.

Shares in British Petroleum tumbled $1 to $47½ in spite of improved earnings projections from an analyst at Kidder Peabody, who increased 1993 predictions to $2.75 a share from $2.50.

A number of blue chip stocks were actively traded on the big board including Glaxo, up $⅛ to $27¾, Citicorp, up $⅜ to $21¾ and Philip Morris, off $⅜ to $79¼.

Computer issues dominated Nasdaq morning trading. Apple Computer slid $⅜ to $45¼, Dell Computer rose $1¼ to $17¼ and Microsoft advanced $¾ to $69⅜.

Unilab tumbled $1⅛ to $5½ in heavy trading after the clinical laboratory testing service provider said it would take a second quarter pre-tax charge of $12m to convert its northern California billing system. New York-based Unilab also expects revenues in the quarter to fall below expectations, although it expects them to exceed the previous year's $51.8m.

Canada

TORONTO stocks were steady at midsession. At 1 pm, the TSE 300 composite was 1.48 higher at 3,441.23, with the financial services index down 13.38 at 2,744.62 and the metals and minerals index up 8.55 at 3,210.01. Turnover stood at 16.8m shares.

Among most active stocks, Cara Opers A shares fell 25 cents to C$4.15, Markborough was steady at C$3.40 and Trimac fell C$¼ to C$7½.

SAO PAULO's Bovespa index stood 7.8 per cent higher at 25,650 at 1 pm yesterday as Thursday's profit-taking faded. Dealers said they were surprised by the strength of the market and noted that trading was concentrated in Petrobras and Telebras.

SOUTH AFRICA

BARGAIN hunting helped Johannesburg recover from its recent losses. The industrial index rose 49 to 4,283 but was still 4.8 per cent down on the week. The overall index added 35 to 3,483 while the gold index was up 20 at 1,072.

Cyclical sectors clear stage for defensive stocks

William Cochrane reviews the biannual ballet spectacle which calls itself international equity strategy

THE BIANNUAL ballet which calls itself international equity strategy is playing again this year, as the switch between cyclical and defensive stocks takes place.

On June 8 there were four consumer durables leaders among the top 10 performers in the FT-SE Eurotrack 100 index – Volkswagen, Pirelli SpA, Volvo and Philips – and BMW was running a close 11th. On June 30 all of those had gone, partly because the move to defensive stocks had already begun.

However, the shift was partly structural. Changes in the Eurotrack constituents brought a number of new contenders into the ring with effect from June 22. These included Michelin, top performer eight days later, and a motor industry supplier; Investor, the Swedish investment company at the heart of the Wallenberg family industrial empire, which owns Saab-Scania and stakes in a number of other top Swedish companies; and Pryca, the Spanish supermarket group.

On the German carmakers Mr Keith Hayes, motor industry analyst at Paribas Capital Markets, notes that a 12 per cent fall in German car sales for May caught the domestic equity market by surprise. "Now", he says, "the focus has moved on to costs, particularly for Volkswagen which has very ambitious volume assumptions and would find a drop in volume a threat to its productivity targets."

However, June 30 found Michelin, a tyre company, emphatically in top place. Why? The answer involves, first, a dramatic reduction in the workforce, 16 to 18 per cent of the total in the past two years, and a big reduction in costs in other areas.

Secondly, the industry has seen fierce price competition in the last five to six years, particularly in original equipment for the motor industry. Price increases, however, began with around 16 per cent in the European replacement market towards the end of last year; and this year there was a 5 to 6 per cent rise in the US aftermarket.

Next in the top 10 are Asea and Brown Boveri, the Swedish and Swiss-quoted manifestations of the ABB Asea Brown Boveri group which merged in 1988. Mr Hayes's colleague, Mr Francis Woollen, says that recession worries brought their share prices back in the second half of 1991.

Then, last December, Siemens and GEC Alsthom started convincing analysts that the prospects for power engineering was excellent; and ABB, says Mr Woollen, is the purest power engineering play.

Roche, the pharmaceuticals company, has shown marked strength since the end of 1987. A growth stock. Mr Mark Tracey of Goldman Sachs liked it in early June, measuring a 1992 p/e of 16 against an estimated earnings per share growth rate of 20 per cent per annum over the next five years.

The leaders also take in Investor, a recovery proposition after a painful end to 1991; St Gobain, in glass, packaging and abrasives, driven by hopes of a US recovery and higher glass prices; and Pryca, described as over-rated by Mr Miguel Olabarri of Schroder Securities.

Atlas Copco, in compressed air machinery, is another cyclical but one where the effects are seen relatively late; Olivetti, a limited antidote for the depressed Italian market, was lifted by computer industry recovery hopes and Digital's plan to take a 10 per cent stake in the company; and Sandoz combined cyclical recovery prospects in chemicals with the defensive qualities of its pharmaceutical products.

Six Italian companies feature in the bottom 10, reflecting a six-month fall of 10.6 per cent in Milan's Comit index over the period against a 4.5 per cent gain for Europe, excluding the UK, in the FT-Actuaries World Indices. One of the most painful losers was Stet, the telecommunications group, which fund managers had seen as a safer way to maintain a stake in Italy when other avenues, like Fiat, looked distinctly dangerous.

Stet's defensive qualities, however, were little protection when the whole market became an open wound. It is joined in the bottom 10 by its Spanish equivalent, Telefonica, which performed well last autumn after bullish presentations in Tokyo, London and New York; but the move of Telefonica's pension fund into the Spanish social security system involved a huge increase in the fund for already retired staff, rises in personnel expenses for active staff, and the question of how much the company would have to pay.

This matter has been resolved and most analysts are sure that telecoms will not feature in the bottom 10 in six months' time. A recent European strategy note from Baring Securities, pushing defensive stocks as a short term strategy, has both Stet and Telefonica in its buy list.

Right at the bottom lies Skandia, the Swedish insurance company, a victim of takeover rivalry between its Nordic neighbours. Uni Storebrand in Sweden and Hafnia and Denmark, which resulted in stalemate and a potential overhang of around 43 per cent of the Skandia equity. The free shares have recently fallen to a 39 per cent discount against estimated net assets.

Last, but not quite least, a Mickey Mouse company. Euro-Disney produced figures for its first 50 days of trading after a spate of rumours, gave a profit warning, postponed by a year the opening of a second theme park on its site near Paris and disclosed admission figures which cast doubt on its prospectus traffic assumptions.

Traffic, in fact, is a painful word. More recently, French farmers blocked entry into the Euro Disney park; and French lorry drivers went further, bringing roads to a standstill and ensuring that tourists would have to be extremely determined before taking a trip to Euro Disney in early July.

FT-SE EUROTRACK 100 CONSTITUENTS: WINNERS AND LOSERS TO JUNE 30

Top 10	Actual change %	Change* relative to Eurotrack 100 %	Bottom 10	Actual change %	Change* relative to Eurotrack 100 %
Michelin	67.21	60.92	Skandia	(-45.48)	(-47.77)
Asea	36.92	31.15	Euro Disney	(-27.93)	(-30.65)
Brown Boveri	30.46	22.34	Cred. Italiano	(-26.25)	(-30.01)
Roche certs	28.74	20.73	BCI	(-23.90)	(-27.78)
Investor	28.43	23.03	Ras	(-20.31)	(-24.38)
St Gobain	28.10	23.28	Stet	(-18.53)	(-22.68)
Pryca	27.85	22.24	Swiss Bank	(-15.89)	(-21.13)
Atlas Copco	27.08	21.73	Telefonica	(-15.85)	(-19.55)
Olivetti	26.96	20.49	Italgas	(-15.52)	(-19.83)
Sandoz	26.92	19.03	Gemina	(-15.44)	(-19.75)

* Actual changes are in local currencies, relative gains and losses are affected by currency fluctuations.

EUROPE

New York and the dollar steer continental trading

Wall Street and the dollar continued to influence continental trading, *writes Our Markets Staff.*

MILAN rose on widespread short-covering ahead of the weekend but there was little natural buying. The Comit index rose 9.03 to 442.24, down 0.4 per cent on the week, in turnover estimated at more than Thursday's L98.9bn.

The market was also lifted by technical factors linked to the options expiry day on Monday and the end of the monthly trading account on Wednesday.

Among industrials, Fiat rose L79 to L5,130 and Montedison was up L40 at L1,417.

FT-SE Eurotrack 100 - Jul 10

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1128.13	1127.47	1128.13	1129.10	1129.09	1129.42	1129.56	1129.14

Day's High 1129.97 Day's Low 1127.13

Jul 9	Jul 8	Jul 7	Jul 6	Jul 3
1128.17	1121.53	1129.83	1134.09	1142.19

Base value 1000 (26/10/90).

FRANKFURT ended mildly easier, with the FAZ index down 0.65 to 693.85 on the day, and 0.7 per cent lower on the week, and the DAX closing 3.16 and 1.3 per cent down respectively at 1,754.48. Volume fell from DM4.7bn to DM4.0bn.

Commerzbank hailed this in a weekly report, saying that the bourse had weathered weakness in Wall Street and the dollar's steep decline.

Speculative stocks moved, Asko rising another DM18 to DM728 for a gain of DM92 since last Friday – when it fell DM109 on return from suspension.

PARIS eased in thin trading ahead of the four-day Bastille Day weekend. The CAC 40 index lost 2.40 to 1,859.44, down 1.3 per cent on the week, in turnover of FFr1.3bn.

The poor weather in France was blamed for the FFr15.90 or 3.9 per cent fall in the drinks company Pernod Ricard to FFr385.10.

ZURICH rose with the dollar, the SMI index closing 9.8 higher at 1,856.5, 0.7 per cent lower on the week.

SMH registered topped the active list and rose SFr65 to SFr1,325 after two acquisitions earlier in the week. Roche bearers put on SFr50 to SFr5,250.

OSLO added signs of improved tanker chartering rates to the dollar effect and the all-share index climbed 3.71 to 396.68, 0.9 per cent higher on the week.

Uni Storebrand A fell NKr2 to NKr34, depressed by a Norwegian newspaper report that it was planning a NKr1.4bn equity issue.

STOCKHOLM recovered further in thin trade, the Affärsvärlden General index closing 12.2 higher at 897.3, still 1.9 per cent lower on the week.

VIENNA fell again with its most actively traded share, the oil company OMV. The ATX index closed 11.18 lower at at 889.07, 4.7 per cent lower on the week as OMV dived another Sch47 to Sch737 after Thursday's surprise resignation of its chairman, Mr Siegfried Meysel, and before OMV announced heavy losses after hours.

AMSTERDAM gave up its early gains as Wall Street opened lower. The CBS Tendency index lost 0.1 to 122, down 0.8 per cent on the week.

BRUSSELS saw a 2.4 per cent rise to BFr4,760 in the utility, Electrabel, on talk of lower interest rates as the Bel-20 index rose 3.63 to 1,171.71, slightly lower on the week.

ASIA PACIFIC

Nikkei eases on arbitrage-related selling

Tokyo

ARBITRAGE-related selling left the Nikkei average marginally lower, after a brief rise above 17,000 for the first time since mid-June, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 64.94 lower at 16,783.72, 0.4 per cent up on the week. It rose sharply in the morning in trading related to the July options expiry, reaching a day's high of 17,023.89, but profit taking and arbitrage-related selling brought it back to a low of 16,715.58 in the afternoon.

Volume rose to 310m shares from 258m. Some 150m shares changed hands in the first hour of trading on option related activity. Declines led advances by 499 to 401 with 188 unchanged. The Topix index of all first section stocks fell 1.35 to 1,283.58 and, in London, the ISE/Nikkei 50 index eased 0.96 to 1,009.46.

Dealers took profits on theme stocks. Institutional investors were absent, citing the lack of commitment from authorities to support the stock market as well as the slumping economy. Traders said that investors wanted to wait until Mr Yasushi Mieno, Bank of Japan governor, came back from his European trip next week.

Fuji Heavy Industries, the most active stock of the day, rose Y9 to Y395 as dealers tried to promote the "mergers and acquisitions" theme; small car companies, active this week on speculation that they may become takeover targets as they face a profits squeeze due to the slump in the auto market, saw Suzuki Motor fall Y4 to Y805 on profit taking.

Raito Kogyo, a civil engineering company, fell by its daily limit of Y400 to Y2,130. Reports that the company was involved in substandard construction in a domestic dam project triggered heavy selling. The company later said that while a reconstruction would cost Y100m, forecast earnings figures would be met.

High-technology blue chips were mixed. NEC advanced Y14 to Y854, but Matsushita Electric Industrial lost Y10 to Y1,300. Traders said despite the declines of some issues, pension funds buying orders at cheaper levels indicated underlying support.

Isetan, the department store fell Y80 to Y1,500. The Tokyo Stock Exchange announced that the stock would be placed under daily surveillance due to its volatile price movements. Isetan's price has been unstable due to rumours of financial troubles at Shuwa, the land and stock speculator and Isetan's leading shareholder.

In Osaka, the OSE average declined 82.04 to 19,370.02 in volume of 9.9m shares.

Roundup

WALL STREET gave most of the region a boost.

HONG KONG saw bargain hunting as the Hang Seng index jumped 55.84 to 5,981.36, still 1.3 per cent lower on the week. Turnover stayed comparatively low at HK$3.34bn, up from HK$2.46bn.

Brokers said that many retail investors switched to second and third liners.

MANILA recovered, the composite index ending 40.76 higher at 1,476.28, almost unchanged on the week, although the rally was described as technical. Turnover climbed from 243.3m to 305.5m pesos.

KUALA LUMPUR extended Thursday's surge on strong index-linked and speculative buying, volume rising from 69.4m to 95m shares as the KLSE composite index rose 7.85 to 611.57, 2.6 per cent higher on the week.

SINGAPORE was dominated by trading in Malaysian stocks, and the Straits Times Industrial index, 6.03 higher on the day at 1,487.05, ended a mere fraction up on the week.

NEW ZEALAND ignored Wall Street as selling in Fletcher Challenge dragged the NZSE-40 index down by 10.87 to 1,566.92, 1.0 per cent higher on the week.

Fletcher, New Zealand's biggest company, ended 9 cents lower at NZ$3.48 in light volume, much of the pressure coming late in the day.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100 3/32	—	101¼	100 1/32	12.22	9.79
13½pc 1992		100⅝	-1/32	102⅛	100⅝	13.42	9.70
Treas 8¾pc 1993		99 15/16	—	99⅞	97 13/16	8.39	9.33
10pc 1993‡‡		100⅜	—	100½	99 15/16	9.96	9.52
12½pc 1993‡‡		102 29/32	—	103 13/16	101 31/32	12.15	9.46
Funding 6pc 1993‡‡		97¼	—	97 13/32	95 5/32	6.17	8.47
Treas 13¾pc 1993‡‡		105 7/16	—	106 13/32	104⅝	13.06	9.49
8½pc 1994		98xd	—	99 5/16	96¾	8.59	9.21
14½pc 1994‡‡		107 15/16	—	109⅛	106 13/16	13.48	9.41
Exch 13½pc 1994		106 13/16	—	107 13/16	105 3/16	12.65	9.33
Treas. 10pc Ln. 1994‡‡		101 5/16	—	101⅝	98 13/16	9.87	9.24
Exch 12½pc 1994		106	—	106 5/16	103 13/32	11.79	9.31
Treas 9pc 1994‡‡		99⅝	—	99 13/16	96⅝	9.03	9.15
12pc 1995		106 7/32xd	—	108 13/32	103⅜	11.31	9.24
Exch 3pc Gas 90-95		93¾	—	94 13/32	88¾	3.21	5.50
10¼pc 1995		102¾	—	103¼	99 3/16	9.98	9.19
Treas 12¾pc 1995‡‡		110 5/16	+1/32	110 13/16	106⅝	11.58	9.16
14pc 1996		113 13/16	+1/32	114 3/16	110 5/16	12.32	9.36
9pc 1992-96‡‡		99⅞	+1/16	100 3/16	96 3/16	9.01	9.04
15¼pc 1996‡‡		118 5/16	+1/16	119 3/16	114 13/32	12.86	9.33
Exch 13¼pc 1996‡‡		112 13/16	+1/16	112⅞	108½	11.79	9.31
Conversion 10pc 1996		103 5/16	+1/32	103⅝	98 13/16	9.69	9.08
Treas 13¼pc 1997‡‡		114 13/16	+1/16	114 13/16	110 5/16	11.58	9.27
Exch 10½pc 1997		105 3/16	+1/16	105 13/16	100 13/16	9.99	9.09
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98 13/16	+1/32	99 1/16	94	8.84	9.00
8¾pc 1997 D		98 13/16	+1/32	99 1/16	98 3/16	8.84	9.01
Exch 15pc 1997		122 15/16	+1/16	123 13/16	118 5/16	12.26	9.39
9¾pc 1998		103	+1/32	103 3/16	97 11/16	9.47	9.04
Treas 6¾pc 1995-98‡‡		92 1/16	+1/16	93 1/32	86 13/16	7.30	8.42
15½pc '98‡‡		128¾	+⅛	129 5/16	123 5/16	12.04	9.29
Exch 12pc 1998		113⅜	+⅛	113¼	107 13/16	10.58	9.16
Treas 9½pc 1999‡‡		103 5/32	+⅛	103⅜	97 3/16	9.28	8.82
Exch 12¼pc 1999		116⅛	+⅛	116 5/16	109½	10.64	9.17

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		107 15/16	+1/32	107 13/16	101 13/16	9.78	9.04
Conversion 10¼pc 1999		106⅛	+1/32	106 13/16	100 13/16	9.64	9.04
9pc 2000‡‡		100½	+1/16	100 13/16	94⅝	8.96	8.91
9% 2000 C		100 13/16	+1/32	100 13/16	98 13/16	9.04	8.91
Treas 13pc 2000		120 13/16	+1/32	121⅛	114 13/16	10.76	9.26
10pc 2001		105¾	+1/32	106¼	99 13/16	9.46	9.02
14pc '98-01		120⅝	+1/32	121	115 13/16	11.61	9.35
9¾pc 2002		105	+1/32	105⅜	98⅜	9.29	8.99
9¾p 2002 C		105	+¼	105 3/16	98 3/16	9.29	8.99
10pc 2003		107 5/16	+1/32	107 5/16	100 1/32	9.33	8.97
10pc 2003 B		107 3/16	+1/16	107⅝	105 1/16	9.33	8.98
Treas 11½pc 2001-04		113 5/16	+1/32	113 13/16	107 1/32	10.15	9.23
Funding 3½pc '99-04		68 11/16	+1/32	68 11/16	59½	5.16	7.49
Conversion 9½pc 2004		104 13/16	+⅛	104 13/16	96 11/16	9.10	8.90
9½pc 2005		104 7/16	+1/32	104 13/16	96 13/16	9.10	8.90
Treas 12½pc 2003-05		123 13/16	+1/32	124⅝	116 5/32	10.10	9.10
8pc 2002-06‡‡		92¾	+1/32	93	85½	8.63	8.91
Over Fifteen Years							
Treas 11¾pc 2003-07		117 13/16	+⅛	118 13/16	110 13/16	9.97	9.08
Treas 8½pc 2007‡‡		97 3/16xd	+⅛	97 1/16	89 13/16	8.74	8.83
8½pc 2007 A		95 3/16xd	—	97 3/16	89 13/16	8.89	8.84
13½pc '04-08		131 5/16	+1/32	132 1/16	123 13/16	10.28	9.09
9pc 2008‡‡		101 7/32	+1/32	101 13/16	93 13/16	8.84	8.79
8pc 2009		93 5/32	+1/32	93 11/16	85 3/16	8.59	8.79
Conv 9pc Ln 2011‡‡		102 1/16	+1/16	102 13/16	93 11/16	8.81	8.76
9pc 2011 B		99 13/16	—	102	93 11/16	9.01	8.77
Treas. 9pc 2012		102 13/16xd	+1/32	102 5/16	93 11/16	8.79	8.75
9pc 2012 A		37⅛	+1/16	37 13/16	34 1/16	8.79	8.75
Treas 5½pc 2008-12‡‡		78¾	+1/32	70 13/16	62⅞	7.77	8.56
7¾pc 2012-15‡‡		90 11/16xd	+11/32	90 13/16	81 13/16	8.55	8.72
Exch 12pc '13-'17		130 13/16	-⅛	130 13/16	120⅛	9.21	8.80
Treas 8¾pc 2017		100 13/16	+1/32	101	97⅛	8.94	8.67
Undated							
Consols 4pc		43 13/16xd	-13/32	44 1/16	39⅞	9.18	—
War Loan 3½pc‡‡		39⅜	+1/32	39⅜	35 5/16	8.89	—
Conv 3½pc '61 Aft		62 7/16	-⅛	62 13/16	58	5.62	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32 7/16	-1/32	32½	29 13/16	9.25	—
Consols 2½pc		27 13/16	-11/32	27 13/16	24 13/16	9.12	—
Treas 2½pc		27 7/32	-3/32	27⅝	24 13/16	9.18	—
Index – Linked	(b)					(1)	(2)
Treas 2pc '94	(102.9)	127 5/16	+1/16	127⅝	122⅜	2.71	4.04
2pc '96	(67.9)	184 3/16	—	184¼	176⅜	3.47	4.07
2½pc '01	(78.3)	148 3/16	—	148 13/16	143	4.12	4.43
2½pc '03	(78.8)	144¼	—	144 13/16	138 3/16	4.14	4.40
2pc '06	(69.5)	147	—	147 1/16	139 3/16	4.17	4.38
2½pc '09	(78.8)	134 3/16	—	134¼	126 3/16	4.18	4.37
2½pc '11	(74.6)	138 5/16	—	138 13/16	129¾	4.17	4.35
2½pc '13	(89.2)	114⅛xd	—	114 5/16	106 3/16	4.16	4.32
2½pc '16	(81.6)	121 13/16xd	—	121⅞	112⅝	4.14	4.29
2½pc '20	(83.0)	117 1/16	—	117⅛	107 13/16	4.12	4.26
2½pc '24‡‡	(97.7)	97⅛	—	97 1/16	88⅞	4.09	4.21
4⅛pc '30‡‡	(135.1)	99⅝	—	99¼	98 3/16	4.04	4.17

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		115 13/16	+1/32	115 13/16	105⅞	9.62	9.29
Asian Dev 10¼pc 2009		109 1/16	+1/16	109 11/16	100 1/16	9.38	9.14
B'ham 11½pc 2012		113	—	113½	102¼	10.18	10.00
Ireland Cap 8½pc '10		90¼	-⅛	90¼	88⅜	9.42	—
9pc Cap 1996		92	—	99¾	90	9.78	—
13pc '97-02		104½	-1¼	115½	103⅞	12.44	—
Hydro Quebec 15pc 2011		141⅜	-1/16	141½	130⅞	10.61	10.05
Leeds 13½pc 2006		124¾	—	125	116¼	10.82	10.20
Liverpool 3½pc Ined		32¼	—	33¼	30	10.68	—
LCC 3pc '20 Aft		30	—	30¾	27	10.00	—
Manchester 11½pc 2007		111	—	111¼	103¾	10.36	10.07
Met. Wtr. 3pc 'B'		60½	—	60½	53	4.96	8.65
N'wide Anglia 3⅞pc 2021		110½	—	111¼	103¼	—	5.37
4¼pc IL 2024		110	—	110¼	103¼	—	5.12
Utd Mex States 16½pc 2008		124	—	128	121½	13.31	12.88

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 9 1992								WEDNESDAY JULY 8 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	145.28	-0.7	113.57	115.39	114.73	129.77	-0.6	4.20	146.36	113.04	115.46	113.83	130.54	153.68	140.94	142.43
Austria (19)	168.09	-1.6	131.41	133.51	132.75	131.63	-0.8	2.22	170.81	131.93	134.75	132.85	132.72	186.70	162.48	175.03
Belgium (42)	146.24	-1.2	114.33	116.15	115.49	112.52	+0.0	5.47	148.08	114.38	116.81	115.17	112.48	148.75	135.87	123.92
Canada (115)	128.09	+0.3	100.13	101.73	101.15	110.65	+0.5	3.24	127.65	98.60	100.70	99.28	110.09	142.12	124.32	138.37
Denmark (35)	240.58	-1.6	188.07	191.08	189.99	190.27	-0.4	1.85	244.38	188.76	192.79	190.07	191.03	273.94	226.81	242.91
Finland (15)	78.18	-0.5	61.11	62.10	61.74	67.58	+0.4	2.09	78.60	60.71	62.01	61.13	67.32	89.80	73.64	92.45
France (104)	160.80	-1.1	125.71	127.71	126.98	129.21	+0.6	3.81	162.57	125.57	128.24	126.43	128.46	168.75	148.06	123.54
Germany (65)	127.10	-1.5	99.36	100.97	100.37	100.37	+0.0	2.29	129.01	99.64	101.79	100.34	100.34	129.32	114.67	103.37
Hong Kong (55)	250.18	-1.0	195.58	198.70	197.58	248.46	-0.9	3.31	252.59	195.09	199.26	196.46	250.74	259.55	176.36	162.31
Ireland (16)	155.20	-1.1	121.33	123.27	122.56	124.00	+0.0	4.38	156.95	121.23	123.82	122.07	124.03	173.71	151.78	138.95
Italy (78)	66.03	-0.4	51.62	52.44	52.14	56.66	+1.4	3.69	66.29	51.20	52.30	51.56	55.90	80.86	66.03	70.97
Japan (473)	100.39	+0.3	78.48	79.73	79.29	79.73	+0.9	1.07	100.12	77.33	78.98	77.88	78.98	140.95	88.70	126.80
Malaysia (69)	244.46	+1.3	191.10	194.15	193.05	235.32	+1.4	2.66	241.34	186.41	190.38	187.70	232.18	250.18	212.49	226.80
Mexico (18)	1385.96	-1.7	1083.47	1100.80	1094.53	4718.75	-1.8	1.25	1409.71	1088.84	1112.10	1096.43	4804.26	1789.77	1355.22	1088.30
Netherland (25)	163.35	-0.6	127.70	129.74	129.00	127.56	+0.9	4.40	164.31	126.91	129.62	127.80	126.44	165.22	147.88	130.59
New Zealand (14)	47.62	+0.4	37.22	37.82	37.60	46.35	+0.2	4.90	47.43	36.64	37.42	36.89	46.23	48.52	42.01	48.48
Norway (23)	169.17	-0.5	132.25	134.37	133.60	136.05	+0.4	1.86	170.08	131.37	134.18	132.29	135.45	192.95	161.26	189.09
Singapore (38)	220.83	+1.0	172.63	175.40	174.39	164.30	+1.0	2.02	218.71	168.93	172.54	170.10	162.72	229.63	192.76	191.97
South Africa (61)	197.04	-1.3	154.03	156.49	155.60	173.48	-1.9	2.98	199.54	154.12	157.41	155.19	176.90	263.60	197.04	255.76
Spain (50)	150.46	-0.7	117.62	119.50	118.82	109.65	+0.9	5.36	151.53	117.04	119.55	117.86	108.71	161.72	146.86	137.49
Sweden (29)	190.04	-1.0	148.57	150.95	150.09	154.60	+0.5	2.63	192.03	148.32	151.49	149.36	153.86	200.28	173.09	188.56
Switzerland (63)	109.96	-1.5	85.96	87.34	86.85	93.66	+0.5	2.29	111.65	86.24	88.09	86.85	93.24	113.51	95.99	87.72
United Kingdom (227)	188.91	-0.3	147.68	150.03	149.17	147.68	+0.9	5.02	189.52	146.38	149.49	147.38	146.38	200.07	165.85	160.85
USA (522)	168.62	+1.0	131.82	133.93	133.17	168.62	+1.0	2.97	166.98	128.98	131.74	129.88	166.98	171.66	160.82	152.65
Europe (791)	152.05	-0.8	118.87	120.77	120.08	120.09	+0.8	4.02	153.26	118.38	120.91	119.21	119.32	156.88	139.31	128.89
Nordic (102)	176.92	-1.2	138.31	140.52	139.72	137.14	+0.2	2.29	178.99	138.25	141.21	139.22	136.90	188.52	169.66	180.82
Pacific Basin (718)	106.94	+0.2	83.60	84.94	84.46	86.22	+0.8	1.44	106.77	82.47	84.23	83.05	85.58	141.97	94.40	128.20
Euro – Pacific (1509)	125.19	-0.3	97.87	99.42	98.86	100.22	+0.7	2.70	125.57	96.99	99.05	97.66	99.52	145.21	113.80	128.80
North America (637)	166.07	+0.9	129.83	131.92	131.17	164.67	+1.0	2.98	164.51	127.07	129.79	127.97	163.11	169.69	158.70	151.69
Europe Ex. UK (564)	129.74	-1.1	101.42	103.07	102.48	104.08	+0.5	3.31	131.21	101.35	103.53	102.08	103.59	132.30	121.81	109.67
Pacific Ex. Japan (245)	171.51	-0.4	134.08	136.25	135.46	153.07	-0.3	3.50	172.22	133.02	135.88	133.96	153.59	175.31	149.00	142.12
World Ex. US (1703)	126.83	-0.3	99.15	100.74	100.16	102.50	+0.6	2.71	127.22	98.27	100.37	98.96	101.86	146.91	116.45	131.04
World Ex. UK (1998)	135.33	+0.3	105.80	107.50	106.89	120.29	+0.7	2.53	134.97	104.24	106.48	104.98	119.39	150.58	127.21	135.08
World Ex. So. Af. (2164)	139.63	+0.2	109.16	110.92	110.28	122.35	+0.8	2.81	139.33	107.61	109.92	108.37	121.39	153.05	130.04	136.55
World Ex. Japan (1752)	162.11	+0.2	126.73	128.77	128.04	147.64	+0.7	3.37	161.81	124.98	127.66	125.87	146.61	165.40	153.20	144.24
The World Index (2225)	139.96	+0.2	109.41	111.17	110.54	122.83	+0.8	2.81	139.67	107.88	110.19	108.64	121.90	153.70	130.66	137.35

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	15⅛xd	-⅛	18⅛	14⅝	13,888	2.0
♥Allegheny & W	272p	—	335p	226p	141.3	6.8
Amdahl	929p	+30	1159p	793p	1,840	0.6
Amer Cyanamid	30½	+⅞	37	28⅝	2,788	2.8
Amer Express	12½xd	+⅛	13⅞	10[illegible]	5,987	4.2
Amer T & T	23xd	+⅛	24⅞	20⅛	30,698	3.0
Ameritech	34⅝	+⅞	36[illegible]	32½	15,180	5.3
BankAmerica	22¼xd	+¼	27⅛	19[illegible]	7,831	3.1
Bankers NY	31⅞xd	+⅞	37¼	28⅞	2,641	4.6
Bell Atlantic	24¼	+⅛	26¾	23¼	10,439	5.6
BellSouth	27⅛	+½	29⅛	25	13,383	5.3
♥Bethlehem Steel	7½xd	+[illegible]	9⅝	7	374.1	—
Bowater	1834pxd	+18	1579p	1016p	372.8	6.1
CPC h	25⅛xd	+⅝	25⅝	22⅛	3,805	2.5
♥Cadiz Land Inc	185p	—	342p	168p	—	—
California Engy	620p	—	838p	620p	112.9	—
Campbell Soup	19⅞xd	+⅞	23[illegible]	17⅞	4,957	2.1
Chase Manhattan	14⅞xd	+[illegible]	18½	9⅛	2,091	4.2
Chrysler	18[illegible]xd	+[illegible]	11½	8⅛	3,048	3.0
Citicorp	10⅞xd	+⅛	11¼	5⅞	8,814	—
Colgate-Palm	27½xd	+⅞	29[illegible]	25¼	4,376	2.4
Cont'l Bank	1021p	+13	1035p	499p	1,091	3.1
Dana	21½xd	+½	24½	14[illegible]	973.0	3.9
Data General	406p	+9	1004p	388p	112.8	—
♥Decora Inds	104p	—	122p	66p	—	—
Dun & Brad	29⅝	+¼	33½	27⅝	5,285	4.0
Eaton	39½	+1⅛	46½	32½	1,398	2.9
Echlin	9[illegible]xd	+[illegible]	11	7⅞	989.0	3.7
FPL	19⅞xd	+⅞	20	18⅛	3,318	6.7
Fluor	25	+½	27	19¾	1,622	1.0
Ford Motor	23¼	+1	28⅞	15	11,271	2.3
Gen Elect	40¼xd	+¼	48¼	39⅞	36,213	2.7
♥General Host	435p	—	665p	360p	—	4.3
Gillette	25⅝xd	+⅝	28⅞	23[illegible]	5,621	1.5
Hasbro	14[illegible]	—	16	12⅞	1,249	0.7
[illegible]						

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend.
xc ex scrip issue
xr ex rights.
xa ex all.
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend July 11/July 12 1992

Germans may raise discount rate in tightening of monetary policy

By Quentin Peel in Bonn and Peter Norman in London

A FEVERISH debate is under way among members of the Bundesbank's central council about whether and how to tighten monetary policy when they meet next Thursday.

Some tightening, which would upset Germany's European trading partners so soon after the Munich summit, is almost certain because of deep concern in the Bundesbank at the rapid increase in money supply, fuelled by credit growth.

However, an increase in the internationally sensitive Lombard rate, which at 9.75 per cent has set the effective floor for official interest rates in the European Monetary System since December, is not at present being considered.

Instead the debate centres on a possible increase in the discount rate, which since December has been 8 per cent – its highest level since the 1930s – or a limitation of the amount of money banks can borrow from the Bundesbank against collateral at the Lombard rate.

The former option has been canvassed by some of the powerful anti-inflation hawks among Germany's regional central bankers, including Mr Lothar Müller, president of the state central bank of Bavaria. It is thought that Mr Helmut Schlesinger, the Bundesbank president, favours limiting banks' access to Lombard credit.

The Bundesbank is being driven to further action because there are no signs that the present high level of German interest rates is damping down money supply growth and because of its deep disquiet at the way government-subsidised credits for rebuilding eastern Germany are seemingly being diverted to fuel consumption.

Under a long-standing arrangement, next Thursday's council meeting is due to carry out the Bundesbank's traditional mid-year review of money supply trends.

With the latest month's statistics showing annual growth of about 9 per cent in M3, the Bundesbank's chosen aggregate, against an annual target range of 3.5-5.5 per cent, members feel that the occasion cannot pass without a determined signal to the government and the German people that the Bundesbank is serious about wanting to cut inflation.

Mr Müller has suggested the council should send a stiff warning to the government about its failure to cut subsidised credits and other subsidies and publicise this decision after the meeting. He is deeply sceptical whether the Bonn government's recently-announced plans to curb public sector borrowing and spending are tough enough.

It is impossible to predict exactly what the Bundesbank council will do. Council members will still be making final assessments of the latest monetary trends next week while the D-Mark's recent strength could persuade some that only modest monetary tightening is needed.

An increase in the discount rate could be portrayed in this light. The rate is less important internationally than the Lombard rate and yet it influences some domestic consumer and business borrowing costs. However, a discount rate increase would also have a psychological impact and could therefore spill over into the foreign exchange market giving the D-Mark a further boost.

Any such development would create tensions in the EMS and cause dismay among Germany's partners where impatience with high German interest rates is growing.

THE LEX COLUMN

Lamont's sterling effort

There can be no doubt, from last night's speech to the European Policy Forum, about the chancellor's determination to stick with current exchange rate policy. The alternatives were dismissed with such determined precision that he would have to resign rather than switch course. That awareness may go some way towards stifling the devaluation talk that has helped cut 3 pfennigs off sterling's value since the authorities' botched intervention in the money markets a week ago. Still, sterling is not necessarily in for an easy ride.

Admittedly, part of the trouble is simply that sterling is caught in the crossfire between a weak dollar and rising D-Mark. Yesterday's UK consumer price figures may help as they show a steep drop in underlying inflation. But the rate is still well above that of France, where an ability to control inflation over the long term commands the respect of the financial community. International investors, who have been grudging buyers of gilts since the election, piled into a FFr3bn, 31-year bond for French railways last week. Even with this trust, France has not been able to undercut short-term German interest rates.

Whatever Mr Lamont says, the exchange market is unlikely quickly to forget last week's money market confusion. The implicit pressure for lower interest rates suggests a measure of desperation about the economy somewhere in the government machine. Lady Thatcher's reported warning of a "financial accident" hardly helps. Nor does continuing Maastricht uncertainty, or a possible Bundesbank decision to tighten policy after next week's review of Germany's wildly overshooting money supply.

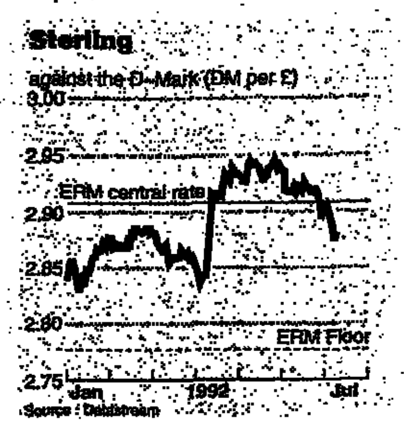
Sterling may thus spend much of the summer close to its wide-band floor within the ERM. It was there before the election, of course, but not without periodic worries about the ERM commitment possibly requiring higher interest rates. That is scant comfort for the equity market, but by now much of the new economic pessimism must already be in the price.

UK house prices

The stock market was wise not to read too much yesterday into Thursday's announcement by the Halifax Building Society that house prices in June rose 0.7 per cent. Memories of last October apart – a month when the Halifax index momentarily blipped up before resuming its downward path – the mood of UK housebuilding companies at the moment is almost unremittingly glum. Price cuts of 5-10 per cent were not untypical in the first half of this year. More worryingly it looks as though current pricing strategies will be insufficient to achieve most companies' year-end target volumes. Tarmac for one admits that prices may have to drop further, or incentives be sweetened, if its goals are to be met.

To be fair to the Halifax, its suggestion that prices should stabilise in the second half is tentative. This is not surprising, perhaps, given its rosy predictions at the start of 1991 and its forecast in January of a modest increase in prices this year.

FT-SE Index: 2490.8 (-7.1)



Hafnia

Perhaps they just got carried away by anti-Maastricht sentiment. Whatever it was, local institutions must now deeply regret that, with more than a hint of chauvinism, they turned down Skandia's offer for Hafnia at a price more than double the level of the Danish insurer's languishing B shares. As yesterday's admission that employees other than the dismissed deputy general manager were involved in unauthorised and costly share transactions further underlines, Hafnia is in a frightful mess.

Thanks to some generous underwriting the company will at least receive the DK2bn proceeds from this week's rescue rights issue. Unfortunately, though, its long-term survival can only be assured if it can dispose of stakes so expensively and rashly acquired first in fellow Danish insurer Baltica, and then in Skandia. The annual carrying cost on these investments is DK500m alone. By all accounts the 33 per cent Baltica holding has been widely hawked around, but no serious takers have emerged. Skandia's spread of interest might be more enticing for an institution with pan-European ambitions – but then the Swedish group's defensive voting structure is a turn-off for all but the most persistent adventurers. Given the continuing market pressures on the insurance industry elsewhere, this year's excitements in Scandinavia may turn out to be little more than a sideshow.

Japan

When Japan's biggest broker says Japanese stocks are cheap, as Nomura did this week, it is time to sit up and take notice. A good part of Nomura's argument is that everyone, whether in Japan or outside it, thinks the market can only go down. Given the depth of universal gloom and the fact that the market has fallen 60 per cent from its peak, it might indeed be asked what kind of disaster is not in the price already.

One obvious and familiar answer is the collapse of the Japanese financial system as a result of the downward spiral in asset values. But there are paradoxes here. There are various steps which the Japanese authorities could take to help, from cutting the discount rate and pushing through a large supplementary budget to reducing property taxes. There seems general agreement in Tokyo that the return of asset inflation is simply not a threat. The absence of action by the authorities thus seems to suggest they do not take the possibility of financial collapse seriously. It might therefore be asked whether the market would find action reassuring or alarming.

Perhaps another way to approach the issue is to ask what scope there is for a bounce in corporate earnings when recovery finally does arrive. The market is, after all, a discounting mechanism. There is thus every reason to suppose that it will turn before the earnings cycle hits bottom. The chief difficulty here is that recovery in Japan, as elsewhere, is expected to be fairly anaemic. In that case it may be asked whether Japanese corporations, with their limited scope for cost-cutting and lay-offs, can expect much of an earnings bounce at all. Nomura could be right in arguing that 16,000 is a floor. The question is rather how long the market will stay there.

Italian austerity budget to overhaul pensions

By Robert Graham in Rome

ITALY'S new cabinet was last night completing an emergency austerity budget including a long-awaited shake-up of the country's generous pensions system, cuts in public spending, higher wealth taxes and a freeze on public sector employment.

Mr Giuliano Amato's government, which is backed by the Christian Democrats, Socialists, Social Democrats and Liberals, has been forced into the emergency budget because of an overshoot in projected spending.

The original 1992 budget envisaged a public sector deficit of L128,000bn (£82.62bn), but this is now expected to reach L175,000bn, equivalent to almost 11 per cent of gross domestic product. The latest measures seek to produce an extra L15,000bn in cuts and L15,000bn in additional revenues.

Officials said among the first measures approved was a reform of the pensions system, which the state can no longer afford. The pensionable age will be raised gradually to 65 from the current 55 years for women and 60 for men through a series of incentives. Those seeking to retire at the current permitted age will be penalised

Other innovations include an increase from 15 to 20 years in the minimum contributions period necessary to qualify for pensions and the elimination of the privileged position of state employees. Private pension funds are also to be encouraged.

To offset social security costs, the cabinet also approved a 1 percentage point increase in social security contributions from the self-employed and an 0.8 point rise for salaried workers.

The government, which won a vote of confidence from parliament last Saturday, had hinted in advance at rises of up to 4 percentage points on the basic income tax rate. Instead it agreed on a one-off wealth tax, increases in property taxes and a charge on bank deposits. The unions had threatened to strike against any income tax increase.

The cuts in spending include a freeze on new employment in the public administration and state companies, with greater job flexibility for existing personnel.

Italian 'golden' pensions, Page 2

Walkabout: Hong Kong's new governor Chris Patten met well-wishers during a visit to the territory's Mongkok district. He began his first day in office with a pledge to be an open and accessible leader. Pangs of delight for Hong Kong cartoonists, Page 4

Search for Times editor starts shake-up of top press jobs

By Raymond Snoddy

THE SEARCH for a new editor of The Times has triggered an unprecedented shake-up at the top of three leading British newspapers.

New editors will take over at the Daily Mail, the London Evening Standard and the Mail on Sunday – all owned by Associated Newspapers – and Mr Simon Jenkins, editor of The Times, yesterday announced that he would step down when a replacement was found.

The round of editorial musical chairs was prompted earlier this week when Mr Paul Dacre, editor of the Evening Standard, was twice offered – and turned down – the editorship of The Times, one of the most illustrious jobs in British journalism.

Instead, Mr Dacre, who became editor of the Evening Standard last year, was appointed editor of the Daily Mail, taking over from Sir David English, who held the post for just over 21 years. Sir David will become chairman of Associated Newspapers as well as remaining group editor-in-chief.

Mr Jonathan Holborow, deputy editor of the Daily Mail, becomes editor of the Mail on Sunday, and Mr Stewart Steven, currently editor of the Mail on Sunday, takes over the Evening Standard.

Viscount Rothermere, Associated's proprietor, gives up his chairmanship of the newspaper subsidiary but remains chairman of its holding group, the Daily Mail and General Trust.

The saga began in London some weeks ago when Mr Dacre was interviewed by Mr Rupert Murdoch, chief executive of News Corporation and Mr Andrew Knight, executive chairman of News International, its UK subsidiary which owns five national newspapers, including The Times. The interview was followed this week by the two formal offers of the job.

The offers precipitated the changes at Associated, which was keen to keep Mr Dacre, but according to one senior executive only brought forward what was likely to happen anyway.

Mr Bert Hardy, managing director of Associated Newspapers, said last night that the changes would release tremendous energy.

Mr Jenkins, who has edited The Times since March 1990, told his editorial staff yesterday afternoon that he would be giving up the editorship of The Times before next March.

He said he had always made it clear he was a short-term editor and that he wanted to resume his writing career within two years. He had agreed to stay for a third year – until March 1993 – to enable a new editor to be found.

Lamont backs present ERM policy

Continued from Page 1

up on the fight against inflation. Interest rates would have to go back up again "to much higher levels than they are today".

● Leaving the ERM and setting interest rates according to domestic monetary targets offered no guarantee of lower interest rates. The 1980s had suggested the opposite because "inside or outside the ERM, we could not ignore the level of interest rates in continental Europe", he said.

He insisted that the current policy was the "right one for the long-term health of the British economy". If the UK could combine the improvements in the economy's performance achieved in the 1980s with permanently low inflation, it could build a "world-class economy".

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Rises			
Altana Ind	615	+	5
Asko	728	+	18
Colonia Konzern	930	+	25
Hochtief	1223	+	18
Lahmeyer	766	+	16
Falls			
Aachen Mch	885	–	10

New York ($)

Rises			
Conner Perph	20 1/3	+	1
Dallas Semi	9 3/4	+	3/4
Dell Computer	17 1/2	–	1 1/4
Falls			
Br Petroleum	47 1/2	–	1
Sierra Pacific	18	–	5 3/4
Unilab	5 1/8	–	1 1/8

New York prices at 12.30pm

Paris (FFrs)

Rises			
Carnaudmetalbx	178	+	4.4
Corparex	615	+	49
Gaumont(Soc N)	469	+	19
Falls			
Hachette	117	–	3.2
Moulinex	149	–	5.3
Nord Est	118.5	–	3.5

Tokyo (Yen)

Rises			
Japan Pulp	575	+	44
Narasaki Sang	340	+	25
Matsushita	646	+	45
Falls			
Rabo Kogyo	2130	–	400
Nippon Shokubai	840	–	100
Hayashikane	326	–	26

London (Pence)

Rises			
Betterware	286	+	11
Hepworth	359	+	9
ICI	1163	+	14
Proteus	389	+	19
Sears	81	+	4
Telegraph	293	+	7
Tomkins	459	+	18
Falls			
Aegis	39	–	17
BICC	293	–	13
BM	96	–	11
BP	203 1/2	–	6
Costain	30 1/2	–	8
Fisons	189	–	18
Lister	25	–	3
P-E Intl	85	–	8
RTZ	563	–	17
Smith (WH) A	418	–	10
Vinten	255	–	17
Wellcome	875	–	20

World Weather

UK Today: Thick cloud and rain, some of it heavy, will spread across the whole country from the west. Some eastern districts will have a dry start. Later, western districts may brighten. Most places will be cool and windy

		°C	°F																
				Cairo	S	40	104	Inverness	R	14	57	Milan	F	25	77	Salzburg	F	17	63
Ajaccio	F	24	75	Cape Town	C	15	59	Isle of Man	S	16	61	Montreal †	F	19	66	S'Francisco †	S	16	61
Algiers	F	32	90	Cardiff	C	15	59	Istanbul	S	25	77	Moscow	F	21	70	Seoul	R	23	73
Amsterdam	C	19	66	Chicago †	C	21	70	Jersey	F	15	59	Munich	R	17	63	Singapore	T	24	75
Athens	S	28	82	Cologne	S	20	68	Johannesburg	S	15	59	Nairobi	S	23	73	Stockholm	F	24	75
Bahrain	S	38	100	Copenhagen	S	25	77	Las Palmas	C	23	73	Naples	F	26	79	Strasbourg	F	21	70
Barcelona	F	21	70	Corfu	S	30	86	Leeds	C	19	66	Nassau		–	–	Sydney	C	14	57
Beijing	C	25	77	Dallas †	S	25	77	Lisbon	S	22	72	Newcastle	F	17	63	Tangier	S	24	75
Belfast	F	18	64	Dublin	C	17	63	Locarno	F	22	72	New Delhi		–	–	Tel Aviv	S	34	93
Belgrade	S	26	79	Dubrovnik		–	–	London	C	18	64	New York †	S	26	79	Tenerife	F	23	73
Berlin	F	27	81	Edinburgh	F	18	64	Los Angeles †	C	21	70	Nice	S	23	73	Tokyo	S	30	86
Biarritz	C	18	64	Faro	S	28	82	Luxembourg	C	21	70	Nicosia	S	33	91	Toronto †	F	17	63
Birmingham	C	17	63	Florence	C	25	77	Madeira	F	21	70	Oporto	S	20	68	Tunis	S	27	81
Blackpool	S	17	63	Frankfurt	F	23	73	Madrid	F	26	79	Oslo	R	15	59	Valencia	F	26	79
Bombay	F	31	88	Geneva	T	17	63	Majorca	F	25	77	Paris	R	17	63	Vancouver †	R	17	63
Bordeaux	S	20	68	Gibraltar	S	28	82	Malaga	S	31	88	Perth	F	18	64	Venice	F	25	77
Boulogne	F	17	63	Glasgow	C	17	63	Malta	S	27	81	Prague	F	25	77	Vienna	F	23	73
Bristol	C	16	61	Guernsey	C	15	59	Manchester	F	18	64	Reykjavik	C	8	46	Warsaw	S	26	79
Brussels	F	18	64	Helsinki	S	22	72	Melbourne	C	11	52	Rhodes	S	28	82	Washington †	F	28	82
Budapest	R	18	64	Hong Kong		–	–	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	R	8	46
Buenos Aires		–	–	Innsbruck	S	19	66	Miami †	S	28	82	Rome	F	24	75	Zurich	F	20	68

Temperatures at midday yesterday. † Noon GMT temperatures C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

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Weekend FT

SECTION II Weekend July 11 / July 12 1992

Unholy saga of the church's missing millions

The average clergyman's annual pay is about £12,000. But the Church Commissioners have let £500m slip through their fingers because of ill-judged investment. ***John Plender*** *investigates . . .*

THE CHURCH Commissioners, who manage £2.7bn of investments on behalf of the Anglican clergy, have some explaining to do. Over the past two years no less than £500m has slipped through their fingers.

That mind-numbing sum is the amount by which they have been forced to write down the value of their property investments after an ill-judged decision to expand their property holdings at the top of the 1980s property boom; and it has been magnified by a controversial decision to finance speculative property developments with borrowings, mainly from National Westminster Bank, that reached nearly £520m at their peak last year.

The outcome is that the Church's income is sharply down in real terms and Anglican parishioners are being asked to fill the hole in the commissioners' finances. How did this august body, which ranks a number of distinguished City figures on its asset committee, get into such a mess?

The commissioners claim the disaster was caused by forces outside their control. In pamphlets distributed in parishes across the UK they have declared that investment income will be flat over the next few years because of the recession. They have warned that the amount they contribute to the pay of the church's 11,300 clergy will be cut from 45 per cent last year to a mere 30 per cent in 1995. Dr George Carey, Archbishop of Canterbury and chairman of the commissioners, was reported in the *Church Times* earlier this year as saying that "the finances of the Church of England have been badly hit by inflation".

Yet a detailed investigation by the *Financial Times* into the church's losses in property suggests a rather different explanation. The badly-timed decision to add to the church's already extensive property by borrowing to invest in a series of speculative developments raises serious questions about the management and accountability of this discreet but powerful institution.

How could this happen? Part of the answer depends on the peculiar history of the Church Commissioners. They were the product of a merger in 1948 between the Ecclesiastical Commissioners and Queen Anne's Bounty, whose combined assets were then worth more than £200m. Most of those assets were in farms and property ground rents, some dating back to the dissolution of the monasteries. A minority was invested in gilt-edged stocks. Not until the merger did the men who invested the church's money have the power to invest in ordinary shares.

Since then the commissioners' task, under the Church Commissioners Measure of 1947, has been to continue providing pensions, pay and housing aid for the clergy and its dependents. In effect, they run a cross between a pension fund and a private investment trust. They do so within broad ethical guidelines that preclude investment in armaments, alcohol, tobacco and other controversial businesses.

Since the 1950s the church's investment managers have sought to exploit the potential of one of the country's oldest estates in partnership with leading property developers. With the help of entrepreneurs, such as Lord Rayne of London Merchant Securities, the balance of the Church Commissioners' property portfolio has changed from predominantly agricultural and residential, to commercial. Huge residential estates, such as Maida Vale estate in north London, which had belonged to the bishops of London since the Middle Ages, were largely sold off and the proceeds reinvested in offices, shops and industrial premises.

This change of emphasis, as Oliver Marriott has recorded in his book *The Property Boom*, was highly profitable for the commissioners. At the start of the 1980s property still accounted for more than two thirds of the church's investments, compared with a little over 20 per cent for the average pension fund.

Then the trouble began.

The past decade has been near-disastrous for commercial property investment. According to a leading performance measurement survey run by the WM Company, UK property produced a total return, including capital and income, over the past ten years of 9.7 per cent. This compares with the return on all investments held by the average pension fund in WM's survey of 15.6 per cent. On a rough calculation that underperformance could have cost the clergy anything between £50m and £100m a year in today's money over the course of the decade.

The commissioners' problems were compounded by errors of timing. In 1983, when the dollar was riding high and money was pouring into real estate development in the US, they joined the American real estate stampede. Advised by Chesterton, the property agents, they bought offices, shopping centres and warehouses from Tampa, Florida to Minnetonka in Minnesota, to Sunnyvale, California. Their approach was idiosyncratic.

The Church Commissioners' property man, until his resignation last year, was Michael Hutchings. In the words of one of his former colleagues, Hutchings, a flamboyant character, was "temperamentally disinclined" to fly. To monitor the church's investments in the US, he used to cross the Atlantic on the QE2 and then travel the continent by train, car and bus. He also attracted some notoriety in the property world by sending his own cases of wine ahead of him; but without obvious beneficial effect on investment performance. By the end of the decade the return on the church's US properties was even worse than on the British ones at 7.3 per cent. A decision was taken to reduce the American portfolio.

But as the commissioners cut their US losses, US, their large investment in agricultural property was doing even worse. The commissioners say that they hold farmland for "historical reasons" and argue that tenanted farm land has been hard to sell. So their longstanding policy has been to reduce their holdings whenever vacant possession has been obtained. In ten years this has cut the acreage by 10 per cent to 155,000 acres, recently valued at £211m. But the investment performance has been abysmal. One broad indicator is the annualised return over the past ten years on agricultural properties in the respected IPD databank. This was a mere 1 per cent.

However, other institutions appear to have been much more successful than the commissioners in selling tenanted land. According to IPD, tenanted land in its database has come down from just over 500,000 acres to 277,500 acres over the past ten years. A leading agent in the agricultural property market said: "Even in the early 1980s the commissioners' agricultural commitments looked incredibly over-exposed. They are immensely traditional landlords and so wrapped up in this that it has clouded their judgment. I am surprised they did not try to shift more."

Another property expert wondered whether the commissioners might have become too attached to the seigneurial trappings of land ownership – visiting farms, presiding over dinners for the tenantry and dispensing engraved goblets to longstanding tenants – despite potential conflicts with the financial needs of the clergy. According to one insider these duties were seen as terrific fun and and were enthusiastically performed by some members of the commissioners' asset committee.

Between the start of the 1980s and the end of 1988 the commissioners reduced their property holdings from 67 per cent to 57 per cent of their total portfolio. Even at that level they were heavily at risk when compared with the average pension fund, which had reduced property from more than 20 per cent of the portfolio to under 10 per cent over the same period.

Then the commissioners took a fateful decision. They not only increased their commitment to property, but did so on borrowed money for speculative development.

This move, which was to take property back up to 64 per cent of the portfolio by the end of 1990, was highly controversial. Earlier ventures into property development had been financed mainly by selling property on the existing estate. Yet, in their 1990 annual report, the commissioners described the decision to borrow for developments as being "in accordance with normal commercial practice".

Leading fund managers consulted by the *Financial Times* found this statement bizarre. For a closed fund with no new money coming in, borrowing for high-risk speculative development was, in their view, extremely unorthodox. Even for a contributory pension fund with a positive cash inflow, borrowing is usually regarded as a questionable practice. In those cases where pension funds have been tempted to borrow for property development, as at the ICI, Unilever and Electricity pension funds in the 1970s, the outcome proved exceptionally damaging to their finances and performance.

So it turned out with the Church Commissioners.

Back in 1988 their unsecured borrowings of £192m from National Westminster Bank bore interest at between 9.15 per cent and 14 per cent. By the time total borrowings topped £500m in 1990 the commissioners had ceased to disclose the interest rates in their annual report. But they were undoubtedly burdensome. In effect, the church had decided to go into debt just before real rates of interest, after adjusting for inflation, rose to their highest level since the Depression.

Most of the developments were brought to the commissioners by Chesterton. Some, such as the Metro Centre at Gateshead in north east England have proved successful. This scheme, on which the commissioners arranged long-term borrowings of more than £100m, attracts high-spending shoppers from Norway and Denmark, as well as the immediate area around Newcastle. It was recently valued at over £200m.

Others have proved problematic. Among the retail developments the Marlowes Centre at Hemel Hempstead, undertaken jointly with Martin Landau's City Merchant Developers (subsequently merged with property group Imry) and Sir Robert McAlpine, is only 75 per cent let. Beechwood Place shopping centre in Cheltenham, undertaken jointly with developers Arrowcroft, is 50 per cent empty. Even in those developments that have found tenants, costs have often exceeded budget, while revenues have fallen short.

A striking feature of many of these development partnerships, in which the commissioners provide most of the finance and the developers the expertise, is their apparent generosity to the entrepreneurs. Under a formula known in the property market as a "profit erosion" deal, the developers sell the land to the commissioners on day one. They then share some limited risk in the development by agreeing to pay the commissioners a guaranteed rent for up to two years after completion, regardless of whether the building fills up with tenants.

But thereafter the commissioners are unprotected. In many cases they have given the developers a 40 per cent share of the profits and assets. According to property market experts approached by the *Financial Times*, this looks on the high side. With hindsight, it has unquestionably proved to be so in certain instances. A case in point was a partnership with Oxford & Cambridge Estates, run by Andrew Oakes, a former partner in agents Richard Ellis. The partnership was set up in mid-1989 to develop a business park of more than 300,000 sq ft near Banbury in Oxfordshire, with profits shared 60/40 in favour of the commissioners. By mid-1990 Oxford & Cambridge was in liquidation.

One of the most difficult of these speculative developments is at Ashford in Kent, where the commissioners, jointly with Imry Merchant Developers, have spent more than £65m buying agricultural land, and options on land, covering 2,000 acres in all. The site, originally assembled by property entrepreneur Jim Cookson, was another of the projects introduced to the commissioners by Martin Landau. The plan

■ Continued on Page XI

CONTENTS

The Long View/**Barry Riley**

The cost of safe pensions

AT LAST there are indications of a shift in investment strategy by British pension funds. It looks as though they began to buy gilt-edged securities during the second quarter of the year. And the recent persistent weakness of UK equities suggests that some of the funds for the government bond purchases may well have come from sales of equities. Certainly the pension funds, and other institutions, have been highly choosy participants in the current troubled round of equity flotations.

There are sound investment reasons for this rebalancing exercise. But there is also room for concern that legal and regulatory pressures may be starting to influence pension funds too. In the wake of the Maxwell scandals pension schemes face a new wave of controls and restrictions, including the possible introduction of a compensation scheme. It is already time to think about what the investment implications might be.

The investment strategy of British corporate pension funds reached a uniquely aggressive extreme earlier this year. During the first quarter UK pension funds were buyers of £2.8bn of UK and overseas equities and sellers of £200m of gilts. By the end of March, according to Caps, which measures pension fund performance, the average fund's total exposure to equities had reached an all-time peak of 84 per cent.

Around the world this strategy is unparalleled. True, in many countries pension funds must comply with laid-down investment guidelines. Governments which happen to have large borrowing requirements say that in the interests of prudence (naturally) pension schemes must invest a large percentage of their resources in government bonds. But even where pension schemes have complete investment freedom it is rare for their equity exposure to be much more than 50 per cent.

Equities are, of course, risky. Share prices can be volatile and in 1987 they dropped by 25 per cent or so overnight. Back in 1974 the UK equity market reached such a freakishly low level that it threatened the solvency of various financial institutions and triggered the otherwise unnecessary collapse of Burmah Oil. In the long run equities offer the best returns. But institutions can only endure a high exposure to equities if they are insulated from short-term price fluctuations.

British pension funds enjoy an infrastructure that gives precisely that protection. They are valued not on the basis of market prices but on a so-called actuarial valuation basis which focuses upon income. The huge pension fund surpluses in recent years have arisen not so much from buoyant stock markets as from the surge in dividends. In 1992, it is true, dividend growth has come to a halt, but during the five years to 1989 dividends almost doubled.

I have a vivid memory from my period as a trustee of the FT pension scheme. In 1987, just after the crash, the trustees gathered apprehensively to discuss the investment performance. We need not have worried. There was no problem, the actuary assured us, dividend income had risen and so the actuarial value of the fund had gone up.

This protection extends to the accounting methods. UK companies report their pension fund contributions according to the SSAP 24 accounting standard which accepts the highly smoothed results of the actuarial valuation method. Compare this with the equivalent US standard FAS 87, based on volatile market values. Surpluses or deficiencies resulting from market movements have to be provided for in company profit statements. Understandably, US companies would be alarmed by the risk to their share price if their pension funds were to build up a large exposure to the equity market.

British companies have no such worries, but problems loom. One is over discontinuance liabilities. Pension schemes must contain enough assets to cover the liabilities if they were wound up tomorrow. In the past, schemes always held a vast surplus on a discontinuance basis because if the scheme were wound up the liabilities would be frozen in money terms, whereas schemes are funded to provide for benefits linked to final salaries and therefore expected to rise over the years. But now the law provides that benefits must be upgraded in line with inflation up to 5 per cent. There is a much greater possibility that after a market crash the scheme could become insolvent on a "mark to market" basis.

The second problem could arise from the design of a possible compensation arrangement. If scheme members are to be protected against all contingencies they will require cover against a collapse of the fund's asset value. Indeed, other pension fund sponsors are going to be unwilling to pay into a compensation scheme if they fear they will be required to bail out some fund which is following an imprudent investment policy. The imposition of a compensation scheme might trigger a rethink of the whole basis of investment risk exposure.

In some ways this would be a pity, because occupational pension schemes paying benefits linked to final salaries are positioned to take the very longest investment view. This does not mean it is always right for them to be 100 per cent committed to equities: market conditions vary from time to time. But they are ideally placed to supply risk capital.

It is reckoned that almost a third of the shares of British listed companies are owned by occupational pension funds. If pension funds were to decide that, as in the US, an equity exposure of between, say, 50 and 60 per cent would be more appropriate a massive volume of equities would have to change hands.

It would be unfortunate, but logical, if in reducing the risks of pension scheme members we were to reduce the ability of pension funds to supply risk capital.

MARKETS

London Markets

Another fine mess you've got us into

By Maggie Urry

IT'S ALL your fault. You, the great British consumer, were supposed to lift the economy out of recession by pouring all that cash you have been stockpiling into new cars, houses and consumer goods. Turn to the "How To Spend It" page immediately and do your duty.

Those readers who are still with us may know exactly what went wrong with the economic recovery. It takes confidence to rush out and spend money on flim-flams and confidence is just what consumers are short of right now.

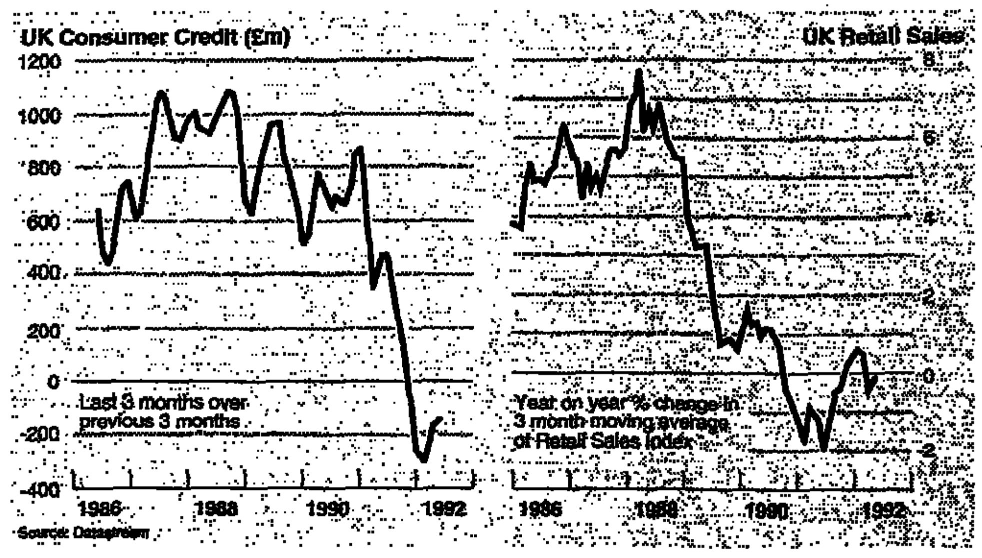
Any spare cash is going to pay off existing debts rather than run up new ones. Government statistics released this week showed that consumers repaid £146m of their credit card and finance house debt in the three months to May.

The rate of repayment has fallen a bit, as the graph shows. That could be taken to mean consumers are beginning to get less worried about their debts – or that they are so hard up they cannot even bring down their credit card debt any more. Retail sales are still looking poor.

At least "top people" in the service of the public will be better off. Their pay rises are being limited to 4 per cent, but the inflation rate, announced yesterday, is only 3.9 per cent. All those judges and generals enjoying a real increase in their incomes will, one feels sure, do their bit for Britain.

Three months ago you could ask a selection of economists when gross domestic product numbers would turn positive, and a good proportion would give the answer "this quarter". With consumer spending accounting for about two-thirds of the economy, many wonder if the upturn will even come this year.

That makes the third false dawn the stock market has had to cope with in the last 18 months. The post-election jump in share prices has been reversed. The mood in the market is gloomy, even though the FT-SE 100 index is only down 6.3 points over the week, to 2,490.8. As well as having no good news from the UK economy, the market is getting no help from Wall Street or Germany either.



British consumers are not just failing to buy houses, cars and goods. The retail investor is not buying shares either, judging by the poor response met by companies launching themselves on the stock market.

Yesterday the public offer by MFI Furniture Group – worth £157.5m – closed undersubscribed. The final number of applications has yet to be announced, but it is fair to assume that the institutions who underwrote the offer will be taking a large proportion of it.

Earlier in the week Anglian Group, the double glazing company, saw only 6 per cent of the shares it offered to the public taken up. Investors put in bids for £2.7m worth of shares out of a public offer of £44.1m.

Wednesday was the first day of dealings in shares of The Telegraph, whose flotation the week before was less than one-third taken up by public investors. The shares ended their first day at 283p, 42p down from the 325p offer price. At that price some analysts said the shares were cheap, and by yesterday's close they were 293p.

It is not just retail investors, though. Institutional investors are also cutting down on shares and taking a look at bonds again. All over the City asset allocation committees are concluding that gilt-edged stock is a better bet than shares.

This might seem curious as the government's borrowing requirement is going to be so high this year that there will be a flood of gilts being issued. One might suppose with such huge supply that investors would be cautious.

But then, when the government needs to sell so much stock it must make it look attractive – rather like privatisations. Low inflation makes the hedging characteristics of equities less important, while dividend cuts by companies emphasise the security of the high yield on gilts.

It is also worth remembering that investors would have been better off keeping their money in cash or bonds rather than shares over the last five years.

News from the corporate front this week has reinforced the feeling that consumers just are not consuming. The likes of Dixons, the electrical retailer, and Rank Organisation, the bingo to Butlins group, see no lightening of the gloom. Albert Fisher, the fresh produce company, bemoaned a glut of food and falling prices – surely one piece of good news for their customers – and saw its shares plunge 25p to 41p on Thursday, closing yesterday at 39p.

With the interim results season opening shortly, there is likely to be yet more bad news from companies. Certainly stockbrokers are downgrading many more profit forecasts than they are upgrading.

But it is not uniformly black. The regional electricity companies do appear able to extract money from consumers, but then it helps to be a monopoly supplier with a captive market. At least Seeboard, which covers the south east of England, has the grace to give some of the profits back to its customers, through a £10 rebate.

It must also be encouraging for Abbey National, the building society turned bank, to know that 390,000 of its customers are so well off that they can afford not to claim 39m free shares, worth £108.4m at yesterday's closing price of 278p, that they were due as part of the company's 1989 flotation. If only they could find them they could draw up a mailing list which others would clamour to buy.

But perhaps the best indicator of consumer confidence comes from Eurocamp, the camping holidays specialist. At one and the same time it claims to have an upmarket clientele *and* cheaper holidays than many package tour groups. Its bookings are more than 15 per cent up this summer. The ABC1 classes have discovered the joys of sleeping under canvas.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2490.8	-6.3	2737.8	2382.7	Economic uncertainty
Aegis	39	-34	128	39	James Capel forecast cut
Albert Fisher	39	-28	83	36	Profits warning
BM Group	96	-49	417	81	Financial worries return
Compass	424	-65	539	418	Returned from suspension
Forte	171	-13	262	168	Collapse of disposal talks
GKN	385	+21	444	281	Increased confidence on dividend
Glaxo	710	+49	943	632	UK and US buyers return
Rank Org	619	-24	772	587	Results/poor trading outlook
Slough Estates	140	-26	248	138	Bond issue worries
Telegraph	293	-32 †	293	283	Issue price perceived as too high
Tiphook	359	-28	478	295	Less-than-forecast profits
Vodafone	302	-30	398	300	Competition from Cellnet
Warburg (SG)	459	-36	605	445	Low vols in equity market

† Change based on Wednesday's issue price of 325p.

Serious Money

The rising cost of a ripe old age

By John Authers

PERHAPS Britain is not a "nation of inheritors". The boom in home ownership and in house prices since the Second World War had led many commentators to expect a resurgence in inherited wealth. Millions of people in their middle age would suddenly have no reason to work again because they had inherited their parents' house.

But a survey by Christopher Hamnett, visiting senior research fellow at Nuffield College, Oxford suggests that the predicted rise in inherited wealth will not happen. Instead, the costs of old age will eat into life savings and force people to sell their homes before the inheritance gets near their children.

The social implications of this finding go far beyond the fact that Wodehousian "drones" will not be making a come-back – they reveal a financial problem of huge magnitude which the UK has scarcely begun to tackle.

Hamnett's arguments against the "nation of inheritors" theory are as follows: fewer people are dying each year, because they are living longer (not something which ought to be a problem), while Inland Revenue statistics show that the number of homes passing at death each year has been more or less constant over the last 20 years.

Most importantly, older home owners are selling or at least transferring ownership of their houses before their death. They do this either to pay for nursing care or just to generate additional income.

Let me put that another way. The longer lives we can now expect have created a financial problem. Our life savings plans, based on out-of-date assumptions of longevity, are no longer adequate. To keep heads above water in retirement, the elderly are being forced to sell their homes.

Hence what Hamnett calls the "missing billions" which the nation's disappointed heirs will not, after all, inherit. He is even able to put a rough figure on this. Between 120,000 and 190,000 people enter care homes each year. Nearly half own their own homes, and around two-thirds of these need to sell them to pay for care. Hamnett says these homes are worth at least £2.5bn. Money from these sales has helped force the housing market further downwards and has paid for health care – the cash is not going to the nation's middle-aged masses.

So much, then, for John Major's widely quoted vision of wealth "cascading down the generations". It was always a pretty silly vision. Research by Hamnett and others, published last year, showed that the extra inherited wealth would have gone to those who were already wealthy, deepening divisions in what was supposed to become a "classless society". Inhabitants of inner-city council estates, excluded from the housing chain, would have felt all the more alienated.

But the problem which faces us instead is even greater. The British pensions industry seems to have enough problems in the week that the man responsible for regulating it offered to resign, and the Securities and Investments Board published a sharp criticism of its own appointed watchdog.

Robert Maxwell's bulky shadow continues to wreck the public's confidence in pension provision, and in those who regulate it. The problems of security which he revealed must be addressed urgently.

However, in the long run an even greater problem is lurking for those who want to save for the future. No one is sure how to pay for our longer lives.

The government has already been driven to bribe people into opting out of the State Earnings-Related Pension Scheme – a sign that the state foresees difficulties paying the future bill. However, one does not need to be a socialist red in tooth and claw to see some possibility of increased state funding for residential care.

Meanwhile, several private sector life and health insurers – including PPP Lifetime which commissioned Hamnett's report – have launched ambitious "long term care" insurance policies. They are truly innovative, although many believe that they are too expensive. The potential demand is limitless – people already accept that they need a pension, so they might soon accept that they also need extra help in "old old" age.

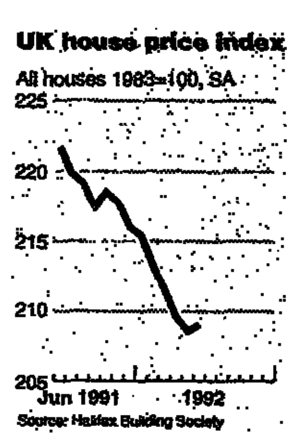
Other companies object that it would be better just to encourage even more long-term saving. On this argument, the spiralling costs of long-term care just make saving more important.

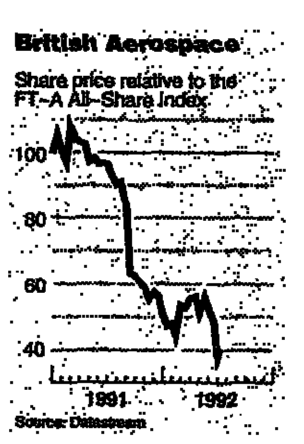
Another possibility is partnership between the public and private sectors, achieved via tinkering with the tax system. Laurentian Life is campaigning strongly for this, with the idea that pension legislation should be altered. In essence, savers would put money into a "long-term savings" account, and the government could later allow further tax privileges if the money is used for residential care. Companies already offering long-term care insurance object. They claim as they might be expected to, that their products are attractive enough without tax relief.

All these ideas require urgent consideration. This country badly needs a system which can be relied on to stop a crook robbing a pension fund. That is justifiably the short-term priority.

But we should not allow it to stop us from coming to terms with the rising costs of old age. We can do without the inheritance bonanza – the people who stood to gain had not earned it anyway. But long life should be a blessing, not the burden it threatens to become.

AT A GLANCE





Mixed signals on house prices

Halifax, Britain's biggest building society, said house prices rose 0.7 per cent last month. It said that, allowing for seasonal fluctuations, prices rose by 0.3 per cent in June, the first seasonally adjusted rise since October.

The Halifax index conflicts with a survey published last week by Nationwide, the second-largest society, which said house prices fell by an average 0.5 per cent last month. Despite last month's price rise, Halifax said the £65,361 average cost of a home in the UK was 5.6 per cent lower than in June last year. It predicted that "With some increase in house sales over the next few months, house prices should then move on to a gently rising trend during 1993."

Bad times for BAe shares

British Aerospace has run into market turbulence over the last year. Its share price was hit last autumn, at the time when former chairman Professor Sir Roland Smith resigned. Continuing predictions by City analysts of provisions that would have to be made against the difficulties of their regional aircraft division, plus another knock from the news that Germany was withdrawing from the European Fighter Aircraft (EFA) project, inflicted further damage last week.

This week the share price rallied slightly in what one marketmaker described as a "dead cat bounce". It started the week on 243p, and ended, after plenty of fluctuation, on 246p.

A Wellcome reminder

Time is running out for those who want to take advantage of the Wellcome share flotation. The offer closes on Tuesday July 21, but Wednesday July 15 is the effective deadline if you want to register with the Share Information Office (tel: 081-944-1242). On registration, the SIO will send a prospectus and application form.

Anyone who does not register by then will need to collect a form from "key" branches of Lloyds Bank. If the offer is oversubscribed, priority will be given to early applicants.

New account from Tyndall

Tyndall has launched a managed deposit account to compete with cash unit trusts. It will actively manage deposits between a range of four available deposit periods – one week, one month, two months and three months – with the aim of providing the best available money market–linked interest rate. Minimum deposit is £10,000, maximum £250,000, and there are no management or account charges. Access to funds is instant at each maturity date – for example, if the best rate when you deposit is available over one month, you will have access after one month.

Smaller companies still gloomy

Small companies endured another bad week. The County NatWest smaller companies index fell 3.26 per cent to 915.26 over the seven days to Thursday, July 9. Over the same period the Hoare Govett index (capital gains version) slipped 2.55 per cent to 1148.24. Hoare Govett attributes these problems to a familiar source – the continuing non-appearance of a consumer-led recovery, and its effect on confidence.

Wall Street

All dressed up – but nowhere to go

WINDOW dressing is wonderful art. In New York, the streets are suddenly cleaner, flowers and bunting more noticeable, the police more in evidence. The reason is simple: a Democrat convention is coming to town.

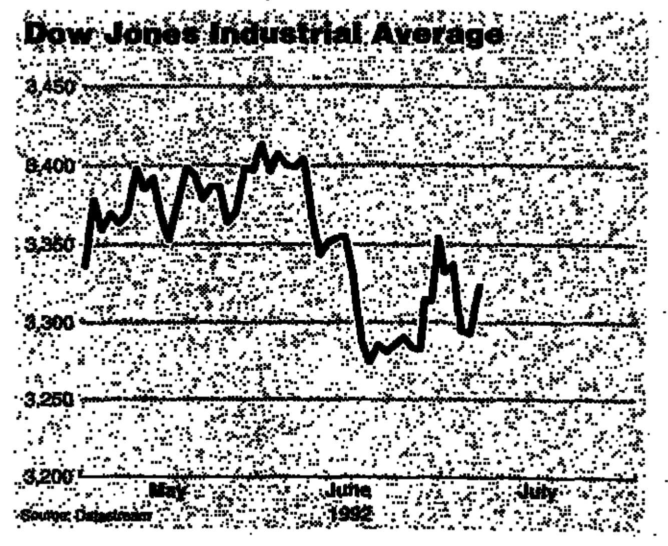
On Wall Street, something similar seems to be going on. Last week, a panic-struck Federal Reserve cut the discount rate to its lowest level since the early 1960s. There was nothing too complicated behind this move, either. Unemployment is rising alarmingly, just as the politicians are saying that the economy is on the mend.

But, for stock market traders and investors, the outlook immediately acquired a rosier tinge. After an edgy start to the week – in which the Dow Jones industrial average first rallied and was then hit badly by a wave of programme selling on Tuesday – dealers started to anticipate a mild summer rally. On Thursday, the Dow staged an extremely solid revival, gaining more than 30 points in heavy volume. The sheer breadth of the upturn, encompassing both small stocks and big blue chips, encouraged many market participants.

On Friday morning, suitably low inflation data boosted the optimistic mood. A gain of just 0.2 per cent in the June producer price index – and a fall of 0.1 per cent in the "core" rate, which excludes food and energy prices – suggested that inflationary steam is non-existent in the US economy at present. Share prices first took further heart, and then dithered briefly. But by mid-morning, they were still adding modestly to Thursday's gains.

However, it remains a moot point whether this burst of summer confidence has much to support it. Clearly, lower interest rates reduce again the yield on competing investments, and the low real cost of money may encourage some marginal investment decisions. As pundits have pointed out, the second half of an election year tends to enjoy a stock market rally.

But a more revealing picture of the "real" economy may emerge when the corporate reporting season – covering



earnings for the second quarter of 1992 – gets under way next week.

So far, the auguries are mixed. On the plus side, profit warnings seem to have been less prevalent than in other "pre-quarterlies" periods during recent years – although they have not been entirely absent, either. This week, for example, it was the turn of Georgia-Pacific, the US paper group, to tell analysts that it would only achieve "slightly better than break-even". After-tax profits, added the company, would be lower than in the same period of 1991. Georgia-Pacific's announcement duly knocked $4¾ of its own share price, at $55, and the rest of paper sector fell in sympathy.

Some early earnings figures, meanwhile, have been anything but cheery. In the supermarket sector, for instance, Safeway reported a 6.5 per cent decline in second quarter profits, with same-store sales falling by over three per cent. This is a testament to the extent of price-competition in the retail sector – and the reluctance of consumers to spend more than is necessary. In the hotels sector, Marriott reported a marginal improvement overall only.

Many leading US retailers reported only modest gains in sales during June – well below improvements seen in April and May. The Limited, long viewed as one of the more successful specialty retailers, disclosed a four per cent fall, causing its shares to fall $⅜ at $19⅞, close to their 52-week low. And Sears Roebuck, which is more heavily influenced by "big ticket" items, reported a 2.8 per cent drop.

Lay-offs announcements continue to flow. McDonnell Douglas and Northwest Airlines were among a handful of companies announcing modest job losses this week. Much larger programmes were revealed by Amoco and Unocal, two oil companies. Amoco is restructuring business operations at the cost of 8,500 jobs, or 16 per cent of its workforce. Unocal is eliminating 1,100 jobs.

Finally, intense price competition in many major sectors shows little sign of abating. The airlines are a good example. Having just endured a fierce bout of domestic fare wars, the industry had hoped to raise its prices this week. Instead, promotional fares were announced by the bankrupt Continental Airlines.

In short, just as cleaner pavements do not make New York's drug problem go way, so a cut in interest rates and election fever do not instantly answer the nation's economic ills.

Nikki Tait

Monday	3339.20	+ 8.91
Tuesday	3295.17	– 44.03
Wednesday	3293.28	– 1.89
Thursday	3324.08	+ 30.80

The Bottom Line

Positive and negative views on electricity

THURSDAY was the last day of a hard results season for the electricity industry. The 12 regional companies, privatised a year ago, found themselves alternately apologising for their profits and proving they could be sustained.

A chorus led by Professor Stephen Littlechild, the electricity regulator, and Frank Dobson, the Labour energy spokesman, warned that their profit increases – which averaged around 49 per cent – were higher than expected.

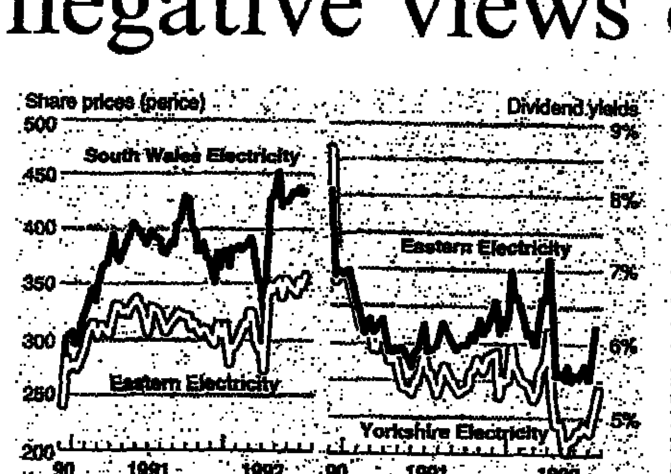
Top of the list was Norweb, with a 126 per cent increase against last year's pro forma profit, followed by Manweb at 75 per cent and Southern at 57 per cent. Last came Yorkshire with a 20.9 per cent increase and South Wales with a 28.3 per cent rise.

Any companies found overcharging customers, they were warned, will face regulatory thumbscrews when the industry watchdog Offer reviews the formulae that govern how much they can increase their prices in 1994.

Meanwhile, City analysts wondered how the companies could sustain this year's high dividend increases – averaging 14.5 per cent – in the long term. Even if the regulator is not too hard on them, the chances the companies will ever make windfall profits by increasing prices is slim.

Given that the outlook for electricity sales growth is modest – about 1 per cent next year – they are left with little opportunity to boost growth other than cost-cutting, although for the next year or two their figures will improve as exceptional charges disappear and interest charges fall.

The non-core businesses – shops and contracting – are unlikely to do much in the foreseeable future except turn



small losses to break-even or small profits.

The underlying increase in the electricity companies profits, moreover, are much less than the figures suggested. That is because the companies undercharged customers in the year to March 1991, and recouped the loss by charging more in the year to March 1992.

If this effect is stripped out, the underlying rise in profits was between 15 and 20 per cent, rather than 40 per cent.

These figures show that most companies made most of their extra profit by increasing prices and cutting costs for the transmission of electricity across their wires.

Profits in the supply business (buying and selling electricity on the wholesale market) fell, as costs rose sharply.

Next year, profits from distribution (the business of selling electricity from the main network into customers' premises) will probably fall, because price rises this April were modest. Supply should do a little better, as exceptional costs for running the national grid disappear.

Most analysts expect an overall profit increase of 10 to 12 per cent with similar dividend growth in the years up to the regulatory review in 1994.

Professor Stephen Littlechild, the electricity regulator, last week gave investors a hint of what they should look for beyond that date. He seemed to suggest that companies which have cut costs, and prices, and improved customer service face lower regulatory risk. Cost-cutting is also one of the few ways they can improve underlying profits. Manweb, which cut 18 per cent of its workforce and controllable costs by about £10m, must be near the top of the list, followed by South Wales and Eastern.

South Wales and Seeboard promised to hand back cash to customers. This looks good, but there has been no sign yet that companies such as Yorkshire which have charged customers as much as they can will be penalised.

Nor is it clear what the regulator will make of recent price changes. Eastern, for instance, has the lowest price, but the highest increase. South Wales, meanwhile, has the highest price, but a below average increase.

Juliet Sychrava

FINANCE AND THE FAMILY

A risk-free bond that may be worth the wait

***Scheherazade Daneshkhu** discovers that the latest National Savings product has upset the building societies*

THE LAUNCH this week of a new National Savings product has provoked calls of "foul!" from building societies in the competition for deposits.

The First Option Bond was promised by Norman Lamont, the chancellor, in the Budget when he forecast a doubling of the public sector borrowing requirement, compared with last year, to £28bn, an amount that will have to be raised in part through National Savings and government bonds.

Mark Boléat, director-general of the Building Societies Association, said this week that National Savings was trying to raise £6bn at the expense of building societies. He did not welcome the competition because "it is not on proper terms".

Building societies claim the competition is unfair because, unlike the lending institutions, the government does not have to be profitable.

The row intensified this week after National Savings announced an interest rate of 7.75 per cent net on its new one year fixed rate First Option Bond (see box for details).

Anthony Nelson, economic secretary to the Treasury, said the government was mindful of protests from banks and building societies that rates from National Savings were too high and had pitched the interest level accordingly. "We don't want an embarrassment of riches," he said.

Privately, building societies felt this to be disingenuous. This week few offered a better rate of interest than the new bond's.

The Halifax, the UK's largest building society, said it had anticipated public demand for the bond and believed its recently launched Guaranteed Reserve account, with investment terms from six months to five years, offered "attractive and realistic rates of interest."

The sting is in the word "realistic," with its implication that National Savings is paying above current market rates. The rate of interest on Halifax's Guaranteed Reserve account at 6.66 per cent net (8.88 per cent gross) is more than a full percentage point below the First Option Bond, although the rate increases to 6.83 net (9.11 gross) on £10,000 and above.

The minimum investment of £2,000 is also double that for the National Savings bond. A rate similar to the First Option Bond was offered by Nationwide through its one year Fixed Rate Bond fixed at 7.73 per cent net last month. But the minimum of £10,000 would be beyond the reach of small savers.

In any case, Nationwide was unable to satisfy demand for the bond and it was withdrawn within a month of issue.

Britannia has tried to steal some of the thunder of National Savings with an index-linked account, paying 4.5 per cent gross (exactly the same rate as National Savings on its index-linked certificates).

The NS certificates have the great advantage of being tax-free but they are less flexible since they have to be held for five years, whereas the Britannia account operates on 90 day notice. It is paying 6.6 per cent net (8.8 per cent gross).

Higher rates than on the First Option Bond can be found in the building societies but on their variable rate accounts. These are shown in our Best Rates table on Page VI. Banks and building societies do not offer much choice of fixed rates for savers.

Guaranteed income bonds are the most directly comparable product to the First Option Bond. According to Baronworth Investment Services, the best rate on a one-year Gib with a minimum investment of £1,000 is 7.4 per cent net from Acuma. The National Savings rate of 8.05 per cent net on £20,000 is bettered by American Life's one year Gib, which is paying 8.25 per cent on £20,000 to just under £50,000.

Savers are unlikely to have much sympathy with the building societies and may argue that in a competitive market, the lending institutions will just have to raise interest rates to compete.

Building societies say they cannot afford to do this because they are also trying to cut mortgage rates. They accuse the government of pushing them to lower mortgage rates as a spur to a revival in the housing market, while poaching savers through National Savings. Two of the largest mortgage lenders said this week that they would have to consider raising mortgage rates unless there was a base rate cut, because they could not afford to lose more savers to National Savings.

Simon Briscoe, of Greenwell Montagu, points out the potential that the government's policy has for delaying the recovery. "Why encourage savings when it is spending that ought to be encouraged?" he asked.

Building societies are on the defensive because net receipts – the difference between deposits and withdrawals – have been unusually low this year. Net receipts last year totalled £5.8bn but they amounted to only £657m for the first five months of this year. By contrast, National Savings has attracted £1.53bn of net receipts so far this year (excluding accrued interest).

For the building societies, this drop in growth of receipts comes when the ratio of peoples' savings to income is at a 10 year high. Building societies' share of the personal sector financial assets market dropped from 16.2 per cent in 1980 to 15.3 per cent in 1991 but this is not entirely attributable to National Savings, since its market share has also declined, from 4 per cent to 2.8 per cent during the same period.

The clear winners have been the life and pension products. Their market share rose from 34.8 per cent to 52.3 per cent, mainly as a result of the growth of endowment mortgages which have a life assurance element.

Other reasons why net receipts have fallen include the offers of shares in newly privatised industries during the 1980s, which sucked funds out of the personal sector, and the growth in unit trusts, according to a report on building societies by UBS Phillips & Drew, published last month.

But the report also attributes the fall in net receipts to lower saving rates offered by the building societies: "Due to their bad debt problems, building societies have kept their savings rates low relative to money market rates, despite mortgage rates rising to well above money market rates."

Bad debts relative to advances tripled last year to 0.6 per cent from 1990; they doubled to 38 per cent relative to operating profit over the same period.

Yet the report says that building society profitability as measured by return on capital is much higher than for banks. The return on capital for the 20 largest building societies in 1991 was 17.8 per cent compared with 8.5 per cent for the Big Four banks and it forecasts that the building society industry will "continue to remain inherently strong and successful."

So savers should not be constrained by a philanthropic desire to help out the building societies – they should put their money where the highest rates are, with the usual caveat that this should not be with a shady institution.

In this case, that caveat is not needed – short of revolution, National Savings is risk-free and the First Option Bond offers the highest one year fixed rate for a bond of its type. As long as you are happy to tie the money up for a year, what are you waiting for?

The facts behind FOB

FIRST (Fixed Interest Rate Savings Tax-Paid) Option Bond went on sale on Tuesday with a guaranteed interest rate of 7.75 per cent net (equivalent to 10.34 per cent gross) on a minimum of £1,000.

A higher rate of 8.05 per cent is payable on £20,000 and above. Interest will be added annually and the maximum holding is £250,000.

The rate is guaranteed for a year, but National Savings can announce a new rate of interest for new issues at any time.

■ Who should buy the bond?

The new bond fills a gap in the range of National Savings products which until now have worked to the advantage of higher rate and non-tax payers with no comparable product for basic rate taxpayers.

With basic rate tax deducted at source, the bond is suitable for the country's 25.1m basic-rate taxpayers.

Higher rate tax payers will be better off with the National Savings certificates because they are free of income or capital gains tax while they would have to pay the extra tax on the First Option bond.

The 37th issue certificates pay 8 per cent per annum compound fixed for 5 years (equivalent 13.33 per cent to a 40 per cent tax payer).

The index-linked certificates have a fixed rate of interest of 4.5 per cent above the retail price index.

Non-taxpayers have the Capital Bonds which are subject to tax but on which interest is paid gross. They offer a guaranteed return if held for five years. The present Series D offers a gross return of 10.75 per cent per annum, compound over five years.

However, non-taxpayers who want to invest their money for a period shorter than five years can consider the First Option bond, since tax is reclaimable from your tax office.

Basic rate taxpayers who want a higher rate and are prepared to invest for five years should choose the Capital Bonds since the return after basic rate tax is 8.063 per cent per annum, which is marginally higher than the 37th issue certificates.

■ How to apply

Unlike other National Savings products, you cannot buy the bond over the post office counter though the post office will stock application forms. Alternatively, fill in the purchase forms issued in newspapers during the next three weeks or apply direct to National Savings, Glasgow G58 1SB.

After receiving payment, National Savings will send an investment certificate within 28 days. The date of purchase on the certificate will be the date on which National Savings received the purchase form and payment.

■ To cash in or not to cash in

National Savings says that it does not regard First Option as a one year bond because savers can hold the bond for longer if they like the sound of the next annual fixed rate, hence the name "option".

National Savings will write to investors, informing them of the new rate at the anniversary of purchase of the bond. Those who want to continue holding it need take no action – the bond will simply roll forward incurring the new fixed rate. Unlike most National Savings products, the unattractive general extension rate – currently 5.01 per cent – will not apply.

If you want to cash in the bond on the anniversary date, you must complete the repayment form printed on the back of the investment certificate. No formal notice period is necessary.

But there are penalties for early withdrawal. If the bond is cashed in before the first anniversary, no interest will be paid. Withdrawals between anniversaries will attract half interest for the period since the previous anniversary.

FINANCE AND THE FAMILY

One of life's more serious problems

***John Authers** on troubles over early surrender of life policies and **Eric Short** on the advantages*

LIFE MAY never be the same again. This week, nine of the UK's biggest life insurers admitted they faced a serious problem with early surrenders of life policies, and committed themselves to tackling it.

A large and ambitious report, which they commissioned, showed that the recession had much to do with current high surrender rates, but also disclosed problems with the policies themselves.

The verdict, according to Keith Bedell-Pearce of Prudential, was that the industry "must do better".

None of this has come too soon. The companies were stung into action by a Securities and Investments Board report published last year which showed that during 1990, 37.1 per cent of unit-linked life policies, and 23 per cent of with-profits policies, were terminated within two years of being started.

These disquieting figures were attacked by regulators and by the press – including the *Financial Times*. The industry's response was less contrite than it is now.

Hugh Scurfield, general manager of Norwich Union, wrote a letter to the *Financial Times* which said: "The investigation is flawed and I suggest no further conclusions should be drawn from it."

However, Norwich Union is one of the companies which conducted the research, and now accepts that there is a problem. Bedell-Pearce said some offices disagreed with the SIB survey "at the margins", but added: "There was a very clear message that rates of persistency had deteriorated, and that they were unacceptable. It was also clear that no hard reasons yet existed."

Early surrenders benefit no-one – investors get a poor return on the money, as the full benefits of the investment are only available to those who carry on to maturity, while insurers have to take substantially reduced profits, or even losses. Sometimes intermediaries will lose commission.

The companies' survey attempted to find out why so many had surrendered their policies, by interviewing people who had done so within the last six months.

It found that 68 per cent of them had done so because of a "change in personal circumstances". Of these, 10 per cent were caused by redundancy, 15 per cent by inability to afford the premiums and 7 per cent by a need for extra cash. These people tended to live in the south and the Midlands, where the recession is most severe.

In 17 per cent of cases, consumers had allowed their policy to lapse because of product cover and value for money, while 14 per cent of lapses were due to problems with advice or service. Of these, problems with direct debits only accounted for 3 per cent of lapses.

It seems that blatant bad advice such as churning – telling a customer to cash in an old policy and then pocketing the commission on the new one – is quite rare among advisers and sales agents. Only 3 per cent said they had been influenced explicitly by the advice of a financial adviser.

While manifestly dishonest advice is rare, advice which is economical with the truth is more widespread. The survey found that only 81 per cent of customers were aware that not all their premiums would be returned if they surrendered, while more than one third of customers said they were not told about the financial implications of lapsing a policy.

The survey, carried out by Survey Research Associates, made several important recommendations. It suggests that the life companies should:

- ■ Review their sales processes to identify possible "change of circumstances" issues;
- ■ Communicate the serious financial implications of early surrender to customers more effectively;
- ■ Improve quality of service;
- ■ Consider more flexible "customer-orientated" products.

This phrase is revealing – a 25-year policy which penalises you for stopping any earlier certainly cannot be described as "customer-orientated".

The shopping list of measures for extra flexibility produced by SRA also make eminent sense. They include:

- ■ Variable premiums, a measure which has been made much easier by the move from traditional to unitised with-profits contracts;
- ■ Premium holidays – at the outset you would be allowed to take a certain number of holidays between premiums;
- ■ Longer hiatus periods between premiums being paid, which would allow customers greater scope for improved cash flow;
- ■ Waiver of premiums, allowing the ultimate value of the policy to be reduced without terminating it;
- ■ Special options for those hit by divorce or separation;
- ■ Loan facilities – these could be extended. You could borrow at a preferential rate against the maturity value of the policy. The total debt outstanding would be deducted from that value; and
- ■ Part encashment.

All of these should make endowments more attractive than they are at present.

It is questionable to what extent the report's findings exonerate the industry. They show that people are very prone to "changes in personal circumstances".

This is just as well. Life would be very boring if one could expect to live through 25 years – the term for a mortgage-related endowment – without any significant changes in circumstances.

The figure for people whose circumstances have changed suggests that the inherent inflexibility of endowments makes them inappropriate for customers who usually need flexibility. The best solution would be for them to buy a different product altogether.

The most obvious, tax-efficient alternative is the personal equity plan (Pep). Bedell-Pearce admitted that the Pru would love to sell more Peps, a view echoed by other insurers. But he said the Pru still found it difficult to sell them, though recently Pep sales have increased.

Another nagging issue is the fact that 32 per cent of people surrendered for the "wrong" reasons – problems with the product or the intermediary.

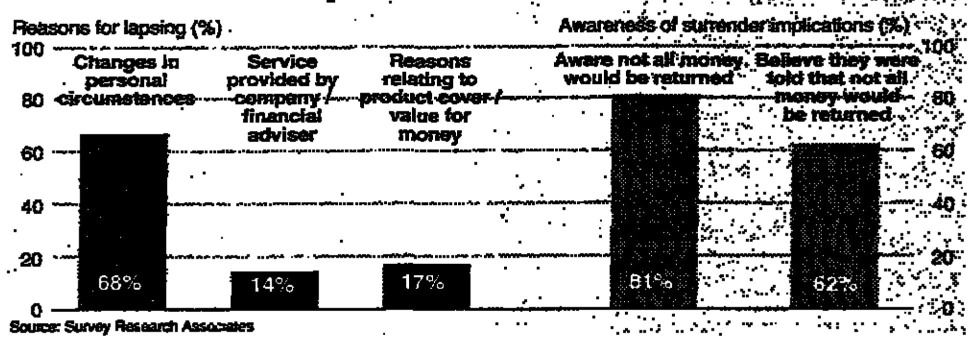
But the nine companies deserve great credit for acknowledging a problem which some in the industry still wanted to ignore, and going a long way to doing something about it. The roll of honour is: Commercial Union, Eagle Star, GA Life, Guardian Royal Exchange, Legal & General, Norwich Union, Prudential, Royal Life, and Sun Alliance. All nine have committed themselves to improvements.

They said regulatory changes to disclosure, which will force poor surrender values to be made clearer, and to training and competence of sales staff would both help. The companies are also committed to emphasising possible changes of circumstances.

Laudably, they intend to be "more pro-active in addressing industry issues." So in future they will not wait for SIB to issue a damning survey, and then wait months before taking action.

J.A.

Surrendered life policies



Source: Survey Research Associates

Surrender has its advantages

KLEINWORT Benson's new Endowment Policy Trust has brought the possibilities of secondhand endowments to public notice.

So what advantages does the investment trust route have over buying your own endowment directly from a market maker or at auction?

Well, the scheme is closed-ended, which means you just need to purchase shares in the trust, which has been designed to wind up after 11 years, with the proceeds divided among the shareholders – this investment is for capital growth only.

Using an investment trust avoids double taxation problems – the trust pays no tax and the investor is subject to Capital Gains Tax on cash-in.

Unlike direct investment, investors in this trust will not have further cash calls made to meet the premiums due on the endowments in the portfolio. Although the trust will invest mainly in endowments, which mature on or before the wind-up of the trust, it will hold shorter-dated endowments where the maturity proceeds will provide the cash to pay these premiums.

Investors wishing to cash in before the trust is wound up must sell their shares.

The trust will have an issued share capital of 30m shares of which one-quarter will be available to the public, the remainder having been placed.

The offer price is 100p a share, with a minimum application of 1,000 shares and thereafter in multiples of 1,000 shares.

Investment can also be made through regular savings – minimum £25 a month. The illustrative annual return, assuming life company bonus rates – both reversionary and terminal – does not change and is 12.7 per cent gross, compared with a yield of around 14 per cent on individual second hand endowments maturing in 11 years.

The difference reflects charges incurred setting up the trust and getting fully invested – expected to take a year – and the conservative method used by KB in discounting future premium payments in valuing endowments.

For investors wanting to enter or get out of the trust in the interim period they will have to buy or sell shares – which may not be so simple.

The trust, which has two *actuaries on the board*, will regularly calculate the Net Asset Value (NAV) of the shares, with independent checks on the basic parameters used. This NAV will be published and form the basis for the share price.

But share prices of investment trusts are affected by other factors – the general market movement and the supply and demand of a particular share. Share prices could stand at a discount to NAV if investors try to sell their shares because the stock market has fallen or life companies have cut bonus rates.

A rush of investors wanting to cash in early will not force the trust to sell endowments, but it could result in the share price falling below NAV. So anyone buying into the trust needs to consider the implications of getting out before the trust is wound up.

The launch of this trust could herald the start of other collective schemes, greatly increasing the demand for second hand endowments without any corresponding increase in supply. That could have implications for the market in second hand endowments.

Some commentators believe that the growth in the secondhand endowment market has an inbuilt self-destruct mechanism. It is argued that as far as the life company is concerned, it loses the profit made on surrender when an endowment is sold to a third party and therefore kept in force. So the growth in the market will lead to lower profits and therefore lower bonuses. And those investors in the policies, either directly or through a collective scheme, will receive lower returns than anticipated and become disillusioned.

But this argument only covers one profit source of traditional life companies, not the complete trading pattern. The main source of profit for traditional with-profit business arises from the excess yield on investments on the underlying funds compared with the return assumed in the premium calculations. This investment profit accelerates over the lifetime of the contract as the funds build up on *a compound basis*.

The profit which life offices take on surrender is generally only part of the investment profit that could have been earned had the contract been kept in force until maturity.

The secondhand endowment market will hit problems when the supply of endowments fails to meet demand. This will happen when existing policyholders cease selling their contracts to third parties, which in turn would only occur if policyholders stopped wanting to cash-in their contracts before maturity, or life companies improved their surrender pay-outs to such an extent that market makers could not match those pay-outs.

The latter is already happening. Bad publicity has made many life companies substantially improve surrender values. They are almost as concerned with their position in the surrender value league tables as they are with the maturity tables. If surrender values continue to improve, market makers may find that the price they are prepared to pay for endowments cannot match them. That would be bad for the market, but possibly good for consumers.

E.S.

The Week Ahead

OWNERS Abroad, the holiday company, is expected to announce half-year pre-tax losses on Thursday of between £23.5m and £26m, compared with £21.4m last time. The figures in themselves are of little interest. Holiday companies have large costs in the first half and receive most of their payments in the second.

More eagerly awaited will be a statement on high season bookings and the dangers of continued discounting. A sluggish season could signal another price war.

Tomkins, the industrial conglomerate run by Greg Hutchings, is likely to report on Monday an increase in pre-tax profits for the year ended April of around 15 per cent. The consensus forecast is £131m against £112m a year earlier. The US continues to provide the group's growth, with the latest period benefiting from a full-year contribution from Philips Industries, now operating under the umbrella of Tomkins Industries, the group's predominantly US arm.

While the market is always interested in where Hutchings' acquisition ambitions might take him next, he is unlikely to give many clues with the results.

Ellis and Everard, the chemical processor and distributor reporting on Monday, has recently suffered a minor profit downgrading to around £13m pre-tax for the year ended April from £17.5m year earlier. The downturn reflects the recession and a likely exceptional charge.

Wednesday is Cider Day, with Taunton Cider closing its share offer and H P Bulmer (Holdings) producing its annual figures. The latter will have the better of it. Pre-tax profits at Bulmer have risen to about £16m from £14.4m thanks to growth of the UK market.

Although Taunton has enjoyed similar gains, its offer is unlikely to appeal right now to shareholders giving a wide berth to any new issue.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Hanlya	70½	72	52	26.67	Cowie (T)
JS Patholgy	175*	170	154	23.06	Corning
Manders	256	245	237	86.36	Kalon
Microtec	115§§	110	113	15.31	Meggitt
Morland	490	460	485	104.0	Greene King
Penny & Giles	337	370	235	32.55	Bowthorpe
Tyne Tees TV	301	273	234	31.24	Yorkshire TV

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 10/7/92. §§Shares & cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglo St James	Dec‡	2,720 L	(404)	-	(4.4)	0.5	(3.0)
Asda Group	May	364,800 L	(168,300)	-	(8.66)	2.1	(4.8)
Assoc British Eng	Mar	35	(108)	-	(-)	0.05	(0.1)
Assoc Nursing	Apr	1,530	(2,330 L)	25.7	(-)	-	(1.0)
Banner Homes	Mar	688 L	(732 L)	-	(-)	-	(-)
Beepak	May	6,920	(4,420)	24.8	(20.4)	9.0	(8.0)
Bimec Inds	Mar	6,040	(5,360)	5.1	(5.1)	1.5	(1.5)
Bogod Group	Mar	259	(242)	2.99	(3.03)	0.35	(0.32)
Budgens	Apr	4,600	(14,700 L)	3.5	(-)	-	(-)
Burtonwood Brewery	Mar	4,620	(5,600)	18.6	(23.6)	4.45	(4.24)
Caverdale Group	Dec	305 L	(857 L)	-	(-)	-	(-)
Channel Tunnel Inv	Dec	10,000 L	(806)	-	(0.04)	-	(-)
Colefax & Fowler	Apr	704	(1,180)	3.7	(4.7)	2.6	(2.6)
Creighton's Nat	Mar	934	(720)	13.1	(10.4)	7.0	(6.2)
Daejan Holdings	Mar	16,200	(16,400)	64.15	(62.12)	25.0	(24.0)
Dixons Group	May	70,300	(61,700)	9.5	(12.6)	8.0	(5.8)
Eastern Elec	Mar	143,100	(130,600)	38.6	(29.8)	16.7	(14.45)
Equity Consort Inv	Apr	-	(-)	26.4	(25.8)	24.2	(23.2)
European Motor	Mar	1,380 L	(2,720 L)	-	(-)	-	(0.5)
Evans of Leeds	Mar	8,520	(8,000)	10.67	(9.44)	4.15	(3.74)
Ferromet Group	Dec	12,900 L	(624)	-	(0.17)	-	(-)
French Connection	Jan	7,950 L	(57)	-	(1.4)	-	(2.7)
Fuller Smith	Mar	7,800	(9,010)	25.2	(24.4)	6.71	(6.1)
Gibbon Lyons	Mar	806	(1,030)	4.8	(10.5)	5.0	(6.0)
Graig Shipping	Mar	1,220	(1,010)	8.2	(7.2)	4.5	(4.0)
Harland Simon	*Mar*	6,320 L	(9,880)	-	(38.6)	2.25	(7.5)
Harrison Ind	Mar♣	908 L	(1,490 L)	-	(-)	1.25	(3.25)
Hollas Group	Mar	223	(74)	0.2	(-)	1.2	(1.2)
Howden Group	Apr	18,100	(2,990)	5.7	(1.4)	2.0	(1.59)
Jurys Hotel	Apr♦	2,520	(3,260)	8.3	(11.1)	5.0	(5.0)
Kalt Energy	Mar	163	(154,300L)	-	(-)	-	(-)
Leopold Joseph	Mar	1,100†	(1,100†)	20.9	(20.9)	15.85	(15.85)
Oceonics	Mar	2,720	(938)	1.2	(0.1)	-	(-)
Platignum	405	405	(1,340 L)	0.2	(-)	-	(-)
Quiligotti	Mar	1,830 L	(905)	-	(1.31)	-	(1.53)
Real Time Control	Mar	1,190	(1,200)	11.1	(10.9)	3.0	(3.0)
Reliance Security	May	3,420	(3,250)	20.5	(19.4)	9.0	(8.4)
RPH	Mar	82,100	(91,200)	31.8	(41.1)	-	(-)
Scottish Hydro	Mar	125,300	(93,100)	25.3	(17.9)	10.16	(-)
Scottish & Newcastle	May	221,100	(216,800)	36.4	(34.1)	16.1	(15.0)
Seafield	Dec	22,380 L	(11,480 L)	-	(-)	-	(-)
Seeboard	Mar	98,400	(67,800)	53.5	(36.5)	17.25	(14.76)
Stanley Leisure	May	7,800	(7,100)	15.4	(14.4)	5.2	(4.85)
Stewart & Wight	Mar	352	(310)	299.0	(263.8)	120.0	(105.0)
Symonds Eng	Mar	156	(220)	1.1	(1.7)	1.0	(1.0)
3i	Mar	40,080	(55,990)	13.6	(17.9)	10.9	(10.43)
Tiphook	Apr	86,400	(70,400)	57.1	(59.9)	17.3	(13.8)
Tops Estates	Mar	2,600	(2,420)	4.8	(5.24)	2.0	(1.8)
TR Technology	Apr	4,010	(4,800)	2.31	(3.64)	1.75	(2.2)
Vardy (Reg)	Apr	4,110	(4,370)	7.8	(9.4)	4.0	(3.6)
Wilshaw	Mar	1,340	(732)	1.07	(0.61)	0.4	(0.3)
Yorkshire Elec	Mar	141,900	(134,600)	48.3	(45.6)	17.76	(10.81)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Barr (AG)	Apr	2,640	(1,170)	1.75	(1.08)
City Site Estates	Mar	190	(1,990 L)	-	(0.95)
Clyde Blowers	Feb	34	(126)	0.83	(0.83)
Domino Printing	Apr	4,540	(3,430)	2.4	(2.1)
Eurocamp	Apr	4,960 L	(5,250 L)	3.45	(-)
Everards	Mar	144	(298)	6.5	(6.2)
Evode Group	Mar	3,800	(3,000)	1.78	(1.78)
FNFC	Apr	22,640 L	(6,240 L)	-	(-)
Gardiner Group	Apr	1,040	(3,450)	0.47	(0.47)
Gresham Telecomp	Apr	294	(293)	-	(-)
Kershaw (A)	May	3,220	(3,260)	9.0	(9.0)
M&G Dual Tst	June	-	(-)	30.55	(30.55)
Microgen	Apr	4,370	(4,330)	2.2	(2.2)
Miskin Group	Jan	414 L	(630 L)	-	(-)
M&W	Mar	664	(914)	1.0	(1.0)
Newman Tonks	Apr	6,620	(7,310)	3.8	(3.8)
P&P	May	1,000	(3,300)	0.7	(1.33)
Rank Org	May	94,000	(96,000)	10.25	(10.25)
Securicor	Mar	26,600	(13,500)	0.665	(0.616)
Securiguard	May	2,600	(2,160)	3.5	(3.2)
Security Services	Mar	18,600	(8,800)	1.39	(1.29)
SEP Industrial	Mar	378	(319)	0.3	(-)
Torex Hire	Apr	290 L	(228 L)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = After tax profits. ‡ = This years figures for 18-months. ♣ = This years figures for 15 months. ♦ = Figures quoted in Irish pounds & pence.

RIGHTS ISSUES

Caverdale Group is to raise £1.8m via a 2-for-7 rights issue at 6p.
Channel Tunnel Inv is to raise £1.5m via a placing of 6m shares and a 2-for-1 rights issue of 3m shares at 20p.
Jeyes Group is to raise £21.7m via a 3-for-7 rights issue at 385p.
Kode Int'l is to raise £3.66m via a 13-for-20 rights issue at 100p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

European Motor is to raise £610,000 via a placing of 540,000 new ordinary shares at 112p.
Jarvis Porter is to raise £11.97m via a 3-for-8 placing and offer at 138p.
Kleinwort Benson Inv Tst Mgment has placed £22.5m of its shares for the launch of Kleinwort Endowment Policy Tst.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Aberforth Split Level Tst	Wednesday	-	-	2.0
Birse Group	Tuesday	1.65	3.85	1.65
Brasway	Thursday	0.24	0.27	0.24
British Bloodstock Agency	Friday	-	-	-
Bucknall Group	Tuesday	1.3	3.5	-
Bulmer (HP) Holdings	Wednesday	3.2	5.15	3.45
Clark (Matthew)	Monday	5.75	8.25	6.5
Clarke Hooper	Tuesday	1.7	2.7	1.7
Dalepak Foods	*Thursday*	1.2	3.8	1.5
Druck Holdings	Thursday	2.8	3.8	3.4
Ellis & Everard	Monday	2.25	4.8	2.25
Goode Durrant	Friday	2.15	3.25	2.15
Hampson Inds	Thursday	0.6	1.77	0.6
Helton Holdings	Tuesday	0.65	1.35	0.65
Jacques Vert	Friday	4.0	6.0	2.0
Jones, Stroud (Holdings)	Thursday	3.0	5.0	3.0
Moorgate Inv Tst	Thursday	1.7	3.8	1.7
Morris Ashby	Tuesday	1.7	2.4	1.7
Multitone Electronics	Monday	0.75	1.25	1.25
Nobo Group	Tuesday	2.42	4.18	6.0
Norbain Electronics	Thursday	-	0.7	-
Peel Holdings	Thursday	1.0	2.0	1.0
Pelican Group	Tuesday	-	1.0	-
Power Corp	Thursday	-	-	2.0
Prism Leisure	Tuesday	1.5	3.45	1.5
Tomkins	Monday	2.8	7.08	3.22
Tomorrows Leisure	Wednesday	-	1.25	-
Triplex Lloyd	Tuesday	2.5	4.5	2.5
Wood (John D) & Co	Tuesday	1.5	-	-
Wyko Group	Wednesday	1.4	1.4	1.4
INTERIM DIVIDENDS				
Aberforth Smaller Co's Tst	Friday	2.0	2.5	-
Baring Tribune Inv Tst	Thursday	1.7	4.5	-
Cardiff Property	Thursday	0.85	1.55	-
Castle Cairn Inv Tst	Thursday	-	0.75	-
City of Oxford Inv Tst	Tuesday‡	1.2	1.3	-
CMW Group	Tuesday	0.9	1.53	-
Denmans Electrical	Wednesday	1.65	4.2	-
East German Inv Tst	Monday	-	-	-
Eurotherm	Tuesday	2.6	4.7	-
General Consolidated Inv Tst	Thursday	4.3	2.75	-
Greenfriars Inv Co	Friday	2.1	4.0	-
Grosvenor Dev Capital	Friday	-	0.95	-
Leslie Wise Group	Wednesday	1.75	2.25	-
Low & Bonar	Tuesday	2.7	6.4	-
Miskin Group	Tuesday	-	-	-
National Home Loans	Thursday	3.75	-	-
Olim Convertible Tst	Tuesday	4.0	4.5	-
Owners Abroad	Thursday	0.9	2.29	-
Selective Assets Tst	Friday	-	0.82	-
St Andrew Tst	Friday	2.7	4.85	-
Trust of Property Shares	Monday	-	1.43	-
Witan Inv Co	Thursday	2.6	2.8	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ = First quarter figures.

FINANCE AND THE FAMILY

Investing in . . . the Netherlands

The true price of going Dutch

INVEST in the Netherlands and you expose yourself to the US economy. In spite of its small *size in both area and population*, the Dutch tradition as a trading nation means that it still exerts a disproportionate influence on the world stage.

As the graph below shows, this also makes it by far the most sensitive European market to the movements of the American market and economy. Richard Harding, European fund manager with Henderson, says: "There are those *who argue that Holland is the* last state of the USA."

This goes a long way to explaining its continuing popularity with British fund managers, particularly of European funds – for example Henderson has a 12 per cent weighting compared to a benchmark index rating of 10 per cent. It has a very liquid market compared to some continental European rivals, and is regarded by some as "just like *trading in London*".

The Dutch trading spirit has also ensured the growth of several massive companies with a worldwide influence which is again disproportionate to the size of their home country – for example Royal Dutch Shell, one of the world's biggest oil companies, Unilever, the consumer products conglomerate, and Philips electronics.

These three alone represent *almost 40 per cent of the main* Netherlands index, but there is a clutch of slightly smaller companies which are still worldwide household names, and which trade in heavy volumes popular with investors – for instance KLM, Heineken, Fokker, Daf and Elsevier.

Harding adds that Dutch accounting policies allow for the most transparent figures available in continental Europe. The awesome linguistic ability of many Dutch people further eases the job of investing for foreigners.

However, the Netherlands is still at the heart of the move towards European union, and like other economies on the continent it is sensitive to events in Germany. According to Paul Loos, a fund manager with the Amsterdam-based company Kooijman Capital Markets, which manages a *Benelux fund for Clerical Medical International among others*, more than 25 per cent of Dutch exports are to Germany.

The Dutch guilder is tied tightly to the D-mark via the exchange rate mechanism which, in turn, ensures that short-term interest rates are high. This has not been good for the economy.

However, Kooijman detects signs of a tentative recovery. Industrial production rose a seasonally corrected 3 per cent in April, following a meagre 0.6 per cent rise for the first three months. It also notes that consumer optimism has increased considerably since the end of last year, according to official figures.

Kooijman has also cut its predictions for unemployment which it now expects to remain stable this year at 320,000, compared with a previous estimate *of 350,000*.

Opinions vary on the best sectors to invest in at present. Loos is concentrating on the oil business and food, both of which are viewed as defensive sectors. He, like Harding is also keen to buy American exposure, as he sees room for recovery in the US, and this means Elsevier, a publishing group based in Holland which does most of its business elsewhere in the world.

Harding sees opportunities to profit from falling interest rates via a holding in ABN Amro. This is a big bank formed by a merger, and its stock market valuation still *seems to reflect adverse sentiment* at the time of the deal. It is trading on a 6.8 per cent yield, and a p/e ratio of 7.5. At these levels, Harding believes it is a cheap way to buy into the *likely* resurgence when interest rates come down. Kooijman is interested in life insurers such as Aegon.

The Netherlands is also the dominant market within Benelux, which is often treated as a homogenous economic area. Belgium falls much more under the influence of Germany, according to Loos, and lacks the vast companies which make Holland so attractive. *It is also not as liquid.* However, it does have cyclical stocks which would be helped by a German recovery, and most methods of buying into the Netherlands allow ease of access to Belgium.

It is as well not to get too excited about the Netherlands – exposure to the US may not be wholly welcome at present, and there is also room for doubt about whether Germany has yet reached the bottom.

But few European markets offer such ease or simplicity to investors, and no others of equivalent size present such an array of strong international companies.

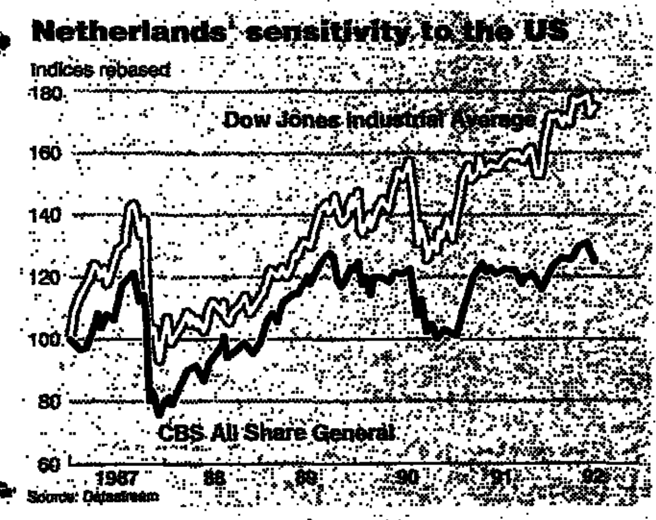
John Authers

The Netherlands: the dominant market within Benelux

FACTFILE: The Netherlands

Population:	15.0m
Gross Domestic product:	£162.3bn
Market capitalisation:	£90.4bn
Inflation rate:	4.22 per cent
Three-month Interbank Rate:	9.49 percent
Currency and Exchange Rate:	£1 = 3.2525 guilders

Netherlands' sensitivity to the US



Source: Datastream

Directors' transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
BMSS	BlgM	10,000	12	1
Calderburn	Misc	50,000	84	1
Comac	BusS	155,000	51	1
Dewhirst	Txtl	100,000	39	1
Diploma	Elns	14,000	44	1
Ferry Pickering	PP&P	75,000	76	1
Greenalls Group	Brew	15,000	63	1
Hall Engineering	EngG	25,000	38	2
Huntleigh Techlgy	Elns	20,000	122	1
MacFarlane Group	PP&P	16,555	32	1
Mercury Ass Mangmt	OFin	10,000	33	1
Microvitec	Elns	368,905	115	1
Neotronics	Othl	10,000	14	1
Scottish TV	Mdia	37,288	148	1
Shanks McEwan	Misc	150,000	285	1
Sherwood Group	Txtl	10,000	16	1
Smith New Court	OFin	22,500	24	3
Updown Inv Co	InvT	100,000	417	1
Vosper	EngG	3,000	11	1
Waddington	PP&P	15,000	30	1
Warburg	MBnk	25,000	128	1*
PURCHASES				
BM Group	EngG	100,000	110	1
British Steel	Metl	20,000	11	1
Bryant Group	Cont	10,000	10	1
Cable & Wireless	TelN	2,308	12	1
Carclo Engineering	EngG	30,000	43	1
Dewhirst	Txtl	100,000	39	1
Helical Bar	Prop	25,000	26	1
Kunick	HtlL	1,000,000	30	5
Ladbroke	HtlL	250,000	500	1
Oriflame	Stor	450,000	792	1
Shires	InvT	4,408	10	1
Unigroup	Txtl	380,841	55	2
Value & Income	InvT	160,000	66	1
Walker Greenbank	Misc	20,000	14	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 29 June-3 July 1992.

Source: Directus Ltd, Edinburgh

The weak stock market has had two effects on director dealing activity. First, with *few exceptions*, the cash value of directors' sales is smaller than usual, even if the actual number of sales is little changed.

Second, the volume of directors buying their own stock has risen – a swing which is consistent with the historic pattern of such movements. It is worth noting that only one of the sales in this week's column resulted from the exercise *of an option*. Scarcely surprisingly, directors choose to defer the exercise and sale of options when the market is unfavourable.

Microvitec stands out as an exception on the lower cash value of sales. John Martinez-Perez, non-executive director, has disposed of almost 310,000 shares at between 31p-32p. His residual holding is 2.74m shares, still the largest shareholder on the board.

During the last 12 months certain sectors of the economy have had to face an unpalatable truth – they are not immune to recession. The waste management industry is such an area and Shanks McEwan is the sector's largest company. Final results published last month revealed a *drop in earnings*, the first setback since Shanks came to the market. Hugh Runciman, chairman, sold 150,000 shares at 190p, near its low for the year.

BM Group, the acquisitive engineering company, has been in the headlines since the resignation of Roger Shute, chairman, because of ill-health. The share price has fallen sharply from more than 400p only weeks ago. Shute bought 100,000 shares at 100p just before he resigned.

Angus MacDonald, Directus Ltd

No fall in repossessions

Scheherazade Daneshkhu says mortgage arrears are still a problem

THE Government will have found little cheer this week in the findings of a report which concluded that measures to prevent an increase in the rate of repossessions are failing.

The study from the Joseph Rowntree Foundation, the social research foundation, says the government hoped to reduce the number of repossessions in 1992 by 40,000 through the launch of its mortgage rescue scheme last December. However, the report concluded that the figure will be in the region of only 10,000.

The rescue package agreed on with the Council of Mortgage Lenders included a decision by the government to pay the mortgage interest element of income support directly to lenders. This was introduced on May 25. But the report, which was based on a survey of Nationwide building society borrowers, found that over 80 per cent of claimants pass this on in full to their lenders. Direct payments to lenders would prevent only 10,500 repossessions.

Mortgage-to-rent schemes, where those in arrears could remain in their homes as tenants, have been even less successful according to the report. "The scheme is administratively complex and people want to remain as home-owners," said the Building Societies Association.

Around 40 per cent of those with arrears live in the south east where average mortgage arrears are £500 a month. This falls to £369 a month across the country. Almost a fifth of borrowers owed more than £4,000 in arrears – half of these are in the south east.

Lenders have realised that increases in the number of repossessions are exacerbating the problems in the housing market by adding to the number of properties that cannot be sold. There were just over 75,500 repossessions in 1991.

"The most effective way to prevent repossessions has been for lenders to accept lower repayments but it is not a permanent solution," said the Building Societies Association. Lenders have been encouraging those facing repayment difficulties to get in touch with them sooner rather than later. "We are being flexible on repayments from those borrowers who are in serious arrears," said Mike McQueen, home rescue co-ordinator at Nationwide. "In some cases we are even prepared to accept 25 per cent of normal monthly interest payments for up to two years."

Mortgage lenders are critical of the pancity of help extended to them by the government in trying to solve the problem of a sluggish housing market which has affected all income brackets. They have been particularly disappointed that the government will not be extending the temporary suspension of stamp duty on house purchases below £250,000 beyond August 19.

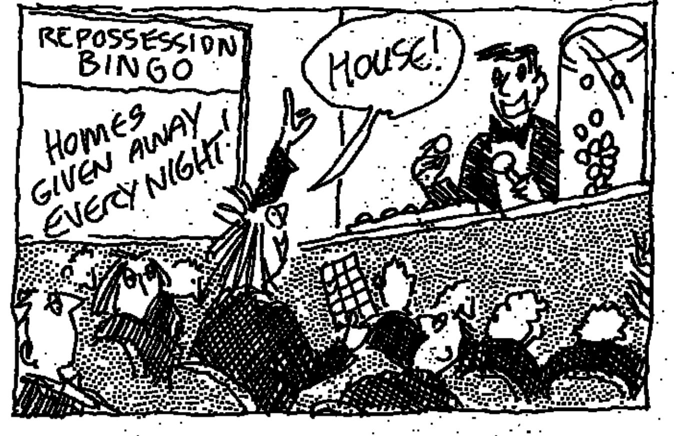
"On the one hand the government is reimposing stamp duty which will make home-buying more expensive, and on the other its use of National Savings to fund the PSBR will restrict our ability to cut mortgage rates," said David O'Brien, chief executive of National & Provincial, one of the ten largest building societies.

The Rowntree report recommends a mortgage benefit scheme providing help with housing costs to people on low incomes, regardless of whether they are unemployed as the most effective measure towards preventing an increase in repossessions.

"The economic conditions are in place for arrears and possessions to persist at high levels," said Steve Wilcox, co-author of the report. "This evidence of unprecedented difficulty and failure must, in turn, be expected to act as a drag on the recovery of the housing market."

The Building Societies Association said it had expected an improvement in conditions by now and was disappointed that the number of repossessions in the first half of the year is likely to be 32,500.

"Because of a big increase in arrears, it is possible that possessions would start rising again if there is no improvement in the economy. Lenders are doing all they can to stop that happening," it said.



Pitfalls of property letting

Caroline Garnham calls for a relaxation in tax rules

THE RECESSION is forcing many debtors to consider alternative ways of increasing income and making their debts tax deductible.

Letting a property or part of a property could be a solution. But be careful – rules governing interest payments on loans taken out by individuals to acquire, improve and maintain property for letting are stringent and complex.

First, the property must be in the UK or the Irish Republic. Next, be careful who you borrow money from. If you choose a non-UK lender you may have to deduct and pay the Inland Revenue 25 per cent tax on behalf of the lender.

Always borrow via a loan and not via a bank overdraft. Interest payments on overdrafts are not tax deductible (unless you are trading), interest payments on loans taken out to pay off the overdraft are not allowable either. Where money is borrowed by means of an overdraft as a temporary measure and repaid from a loan account, the Revenue will, by concession, allow the interest to be deducted if repaid within six months.

Brooks, in the recent case of *Brooks v Lawson*, discovered this rule to his cost. He financed property improvements using bank overdrafts over a number of years before negotiating loan accounts with the bank. The Revenue refused to deduct his interest payments on either his overdraft or his loan accounts against his rental income.

Brooks appealed. The court found in favour of the Revenue. This may seem harsh, but is nevertheless the law.

If you decide not to borrow from a bank, take care that the loan can remain outstanding for over a year. Short-term interest on non-bank borrowing is not tax deductible.

If you get the right borrower and type of borrowings, interest payments could still be disallowed as a deduction if you do not borrow the money for a qualifying purpose. Basically, buying or improving property are qualifying purposes but repairs are not.

The Inland Revenue has given some guidance on where it considers the dividing line to be. For example, it will regard underpinning, "extensive repointing", pebble dashing, texture coating (but not painting) and stone cladding as improvements, but the replacement of a leaky roof or new guttering as repairs.

Any interest payable on a loan taken out for repairs is not deductible from rents. So landlords are not encouraged to take out a loan to keep their properties in good repair.

If substantial repairs are needed and you must fund them with a loan, it may be possible to get relief if you sell the property into a private trust or company. The property will then be in a new ownership and the interest payments on a loan taken out to do the repair work, will be treated as repairs attributable to a period before the estate or interest was acquired.

They will then be treated as "dilapidations" and become tax deductible. But, before rushing into a sale, take care that in so doing you do not trigger an even worse capital gains tax liability or stamp duty charge.

Even with the right borrower and the right purpose for the loan, you still may not be able to deduct your interest payments from your rental income if the letting does not qualify. To qualify, the interest must be payable during any period of 52 weeks during which the property has been let for 26 weeks at a commercial rent.

Any interest payable on a loan taken out to do a repair is not deductible from rents

In theory, where interest is payable half-yearly, it should be possible to have a gap between lettings of 76 weeks without loss of interest relief. But it is not good to sail this close to the wind since in the current market you may not be able to find a tenant just when you want one. Nor can you be guaranteed that the tenant will occupy your property without a break to suit your tax plans.

The key point is the date when the interest is payable, not when it is actually paid. If letting becomes a problem, you cannot just pay your interest late. You must renegotiate dates on which it becomes payable with your bank.

If the property is not let during the period of 52 weeks, it must be available for letting or used as your main residence or undergoing works of construction or repair. It is not always possible to do substantial works within the time scale to suit your tax plans and, if your bank does not agree to an interest free holiday or to a re-arrangement of when your interest becomes payable, the cost of your building works may be increased by the grossed up amount of your interest payments.

If you can arrange your finance and lettings so that interest payments can be deducted against the rental income, all the interest can be deducted regardless of the size of the loan. The relief is not restricted to the basic tax rate.

If your interest payments exceed your net rental income, the loss cannot be set off against your other income, nor can it be carried back against any previous rental income you may have received and on which you have paid tax. Excess interest payments can only be set against net rents of other properties in the tax year in which the interest was payable, or in subsequent years.

It is hardly surprising that the government is criticised for discouraging people from letting property and allowing it to fall into disrepair.

Maybe now is the time to encourage, not discourage, the acquisition, improvement and maintenance of let property.

■ *Caroline Garnham is a tax and trust lawyer for the City solicitors Simmons & Simmons.*

BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£1,000	10.40%	Yly
Bristol & West BS	Balmoral A/C	031 225 3557	Instant	£25,000	10.90%	Yly
Allied Trust Bank	3 Mth Notice A/C	071 626 0879	3 Mths	£2,001	10.90%	Yly
Bath BS	City of Bath	0225 423271	6 Mths	£40,000	11.25%	Yly
Chelsea BS	Premier A/C III	0800 272505	30.9.94	£10,000	11.75#	Yly
Cheltenham & Gloucester BS	Golden Term Share	0800 717505	4 Year	£25,000	12.25♣	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	12.68%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	12.50%	Yly
National Counties BS		0372 742211	5 Year	£3,000	12.00%	Yly
Vernon BS		061 429 6262	5 Year	£1	11.70%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	9.50%	Yly
UDT	Capital Plus	0734 560411	Instant	£1,000	9.40%	Qly
Chelsea BS	Classic Postal	0242 521391	Instant	£5,000	9.75%	Yly
				£10,000	10.00%	Yly
				£25,000	10.50%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	9.50%	Yly
Yorkshire Guernsey BS	Key Ninety	0481 719898	90 Day	£50,000	10.55%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	11.00♣	OM
				£25,000	11.25♣	OM
				£50,000	11.75♣	OM
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£20,000	8.25%	Yly
CCL Assurance FN		071 626 3581	2 Year	£5,000	8.20%	Yly
Prosperity Life FN		0800 521546	3 Year	£25,000	8.30%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	8.15%	Yly
Templeton Life FN		061 624 7299	5 Year	£2,000	8.25%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	8.50%	Yly
	Income Bonds		3 Month	£2,000	9.25%	Mly
	Capital Bonds D		5 Year	£100	10.75F	OM
	First Option Bond		12 Mths	£1,000	10.34F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	37th Issue		5 Year	£25	8.00%F	OM
	5th Index Linked		5 Year	£25	4.50% + infln	OM
	Childrens Bond B		5 Year	£25	10.9%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. # = Rate fixed until 1.10.92. ♣ = Rate fixed until 1.8.92. ♣ Rate fixed until 31.8.92.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walshams House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692 582808.

Back to the futures . . .

***Beverly Chandler** is positive about a negative*

Managed futures sound risky, but they can cheaply deliver what almost every investor wants – diversification.

This is an industry with an image so negative in Europe that until recently, in many cases, more of its members' time has been spent trying to convert the unconverted than in managing money.

But the strongest argument for the inclusion of derivatives – futures, options and warrants – in a portfolio, is that the managed futures sector tends to move in the opposite direction to other assets such as bonds or equities.

This has been the subject of long-running debate, but it seemed to be borne out by Credit Lyonnais Rouse's Systemtrend, one of the first-established offshore futures funds, which triumphantly achieved 14 per cent growth during October and November 1987, *while stock markets crashed.*

If investments in managed futures portfolios go up when equities are down, then they have a role to play in the balanced portfolio.

The strength of this argument, supported by a move towards probity as the cowboys started to hang up their hats, has started a slow reconciliation of managed futures funds with regulatory authorities across Europe.

However, while many in the UK welcomed the creation of two authorised futures unit trusts – the Fof (futures and options fund) and Gfof (geared *futures and options fund) in* July 1991, many more feel that the restrictions on the funds are too limited for efficient portfolio management.

Fofs were met by only two contenders, Legal & General with Tactical Asset Allocation trust and John Govett Unit Trust Managers which has now launched nine Fofs.

The Tactical Asset Allocation trust bases its investment decisions on a computer model which indicates which type of asset – equities, gilts or cash – to invest in and when. Futures are used for investment exposure because, *according to Michael Hayden,* of L&G, "Index futures are a cheap, cost-effective means of achieving the model's recommended exposure without the risks associated with the selection of individual shares."

L&G has raised £10m for its fund since launched on December 30 last year, but the fund is bottom of its sector over six months, to July 1 according to Finstat. This reflects poor per*formance in the managed* futures industry which showed an average loss of 12.9 per cent in the year to May 31, according to the Managed Account Reports futures fund index, the only measure of futures fund performance currently available.

This bears out the argument that the performance of derivatives is diametrically opposed to that of equities. The FT A World Index for the same period shows growth of 12.4 per cent. The fund requires only a £1000 minimum subscription unlike John Govett's funds which are offered to more "pro*fessional" investors with a* minimum of £100,000 subscription.

John Govett's funds cover four indices twice. For example, for the UK there is a tracker fund which uses futures to track the FT-SE index, and a bear fund which aims to achieve broadly the opposite of the index. The ninth fund is a cash fund.

John Govett has raised £60m *since launch in December from* discretionary fund managers and broker bonds.

But fund managers' dissatisfaction with the existing regulations is shown by the fact that these two companies have not been joined by others.

Industry watchers originally looked to the Prudential for the first launch of a managed futures unit trust in the UK. Under Alan Wren, the Prudential took a high profile, carrying out a series of roadshows explaining the joys of managed derivatives funds.

But once the rules were *published, there was silence* from the Pru. Wren says: "Little will happen at the Prudential until the SIB changes the rules. We want flexibility of charging structures, single pricing and a clarification of terminology, particularly where the guarantee is concerned."

The guaranteed fund has easily the greatest marketing potential of the managed futures products.

Guaranteed funds were first used offshore by E D & F Man International with their range of Mint Funds. Each fund has a fixed lifespan of either five or seven years. The money under management is split into two funds, with the larger amount going into high quality bonds designed to return this part of the fund to 100 per cent of the original value by the fund's termination date.

The rest is invested in futures and options. The aim is for the investor to be certain to get his original capital back *and to have the return on the* derivatives on top.

E D & F Man is a big European player, with slightly more than $1bn (£520m) under management in a range of over 20 offshore managed futures funds. The UK's restrictive legislation has put them off launching funds here.

Colin Barrow, managing director of E D & F Man's fund division, said: "We wish the others the greatest success, but I think that the regulatory regime, with the difficulty of creating a guaranteed fund, does not suit us."

Hugh Dumas, marketing director of Credit Lyonnais Rouse, says: "Managed futures funds have shown that they are an asset class in their own right with the MAR (managed futures) index beating the equity and bond indices on a straight comparison over eight years. UK investors must be allowed to access managed futures through properly authorised funds."

As an answer to the many complaints, the Securities and Investments Board is planning a conference at the end of November 1992, hoping that industry participants will come along and air their views. It *could be a lively event.*

Abbey's silent minority

DO YOU know anyone who has repeatedly turned down the chance to be given a free gift worth £273 - or even £546? It may seem unlikely that anyone would look a gift-horse of this sort in the mouth, but according to Abbey National there are many such people around.

They are soon to be given a final chance to claim a gift of free shares which they should have taken in 1989.

The people concerned are some 390,000 customers of the former building society, Abbey National, which dished out 100 free shares to 5.4m members when it was floated on the stock market three years ago.

Just why anyone should refuse repeated exhortations to fill in a form which will bring them a free allocation of shares is a mystery. Since the shares were issued in 1989 they have risen in value from £130 to £273 and annual dividends have been paid out twice on them.

Even if a good proportion of the missing customers are long-since dead, there must be tens of thousands of people around who are entitled to claim the shares.

Few of them seem inclined to *step forward. Last time Abbey* National wrote to the 390,000 silent customers, it got only 5,000 replies.

Going free: did you miss out on your Abbey National shares?

Presumably most of the people concerned who are still alive have had envelopes coming through their doors at intervals in the last few years. Perhaps they thought they were junk mail or dire warnings about falling behind with their mortgage payments.

If you were an Abbey National member at the time of the float and did not receive your shares, perhaps because you changed address, then you should consider whether the *shares are owing to you.*

To qualify for the shares at the time of the float, an Abbey National saver had:

■ to have at least £100 in their account between December 31, 1988 and April 11 1989 and

■ to be the first named person on the account and over 18 years old by April 11 1989.

Abbey National borrowers had to meet similar qualifications, but were required to have borrowings of more than £100 from the society between the same dates.

Individuals could qualify for two allocations of shares if they were both a saver and a *borrower, so there must be* some people who, if they but knew it, are entitled to nearly £550 worth of shares from Abbey National.

If you think you are eligible, then you must fill in a claim form giving details of your accounts with the society at the relevant dates. If you do not receive a letter from Abbey National, a free 24-hour helpline has been set up which you can call.

The number of the helpline is 0500 – 500 – 202.

Abbey National proposes to sell unclaimed shares in the market in 1993. Most of the cash will go straight into its reserves (which is good news for existing shareholders as it will improve the earnings per share).

A small proportion of the money raised by the sale will be given to the Abbey National Charitable trust for donation to selected charities.

If for some reason, you do not get in touch with Abbey National before the shares are sold off, do not despair. The bank will still have to repay you the money any time until six years after the flotation. Money on the dividends paid before the shares are sold off can be claimed for up to 12 years.

Meanwhile, other building society customers must be wondering who will reap a bonanza when the next large society converts into a company.

That day may still be some way off. Jon Foulds, chairman of Halifax, the largest building society, this week said that chances of Halifax having a stock market flotation were negligible for the next three to five years at least.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

CGT on building societies

IS IT possible to establish a capital gains loss in a building society account? Does this apply to share and deposit accounts? Does the account have to close for this purpose?

■ We take it that your first question does not relate to share accounts passing on death etc. That being so, the answer is no – except where the share account was opened before March 1982 and a universal rebasing election has been made (under section 96(5) of the Finance Act 1988). If this is so and you wish to make a rebasing election (if the time limit has not yet expired), ask your tax office for the free pamphlet CGT14.

Only share accounts are within the scope of CGT (as they have been since CGT was *introduced, on April 7 1965).* Deposit accounts are excluded by section 134(1) of the Capital Gains Tax Act 1979, in conjunction with section 29(2) of that Act, (as they have been since 1965). The account would not have to close for this purpose.

Remember, indexation of share accounts (which was introduced on April 6, 1982, and extended to losses on April 6, 1985) was withdrawn by the Finance Act 1988 retrospectively from July 4, 1987.

Tax on a mortgage

IF I were to take a mortgage on my own home, on which I currently have no loan, for the *purpose of buying a property* let or available for letting at a commercial rent (probably a shop investment), can you confirm that interest on the loan would be allowable as an expense against rent and not subject to the restrictions (£30,000 limit and base rate only) that apply to a loan to purchase one's own residence?

If so, would the Revenue require the mortgage and the purchase to happen at the same time. I assume I could not take the mortgage now in the hope of purchasing a suitable investment, possibly at auction, in due course.

The interest would be an allowable expense subject to the more-than-26-weeks letting conditions set out in section 355(1)(b) of the Income and Corporation Taxes Act 1988. *Section 367(2) requires a loan* to be made "on the occasion of, or within what is in the circumstances a reasonable time from, the application of the money", and the proceeds of a loan must not be "applied for some other purpose before being applied" for a qualifying purpose.

The solicitors who act for you in the mortgage and conveyancing will be able to guide you through the tax pitfalls, of course.

Belfast is 'a clean, crisp Hibernian Rio' (official)

*The Northern Ireland Tourist Board believes battle-scarred West Belfast could attract visitors. **Tim Burt** looks at the changes which make the notion plausible*

TONIGHT is bonfire night in Belfast. Piles of old timber and rubbish are ready to burn and hundreds of Protestant children, some younger than 10 years old, are looking forward to the big event: the annual celebration of the Battle of the Boyne.

Each year, the fires send a pall of smoke across hardline suburbs, reminding Roman Catholic communities of their rout in 1690 at the hands of William of Orange. Army helicopters sometimes help spread the smoke as they hover over the crowds, shining spotlights through the haze.

And yet the Northern Ireland Tourist Board sees hardline areas as a potential attraction. It suggests visitors seeking a glimpse of the trouble spots should be encouraged. The board's corporate plan says: "The opportunity to harness this curiosity factor should not be overlooked as a positive factor in encouraging people to visit and understand Northern Ireland."

The invitation from the tourist board contrasts with the advice I was given seven years ago by the Royal Ulster Constabulary. The policeman who questioned me thumped his bullet proof vest and said: "The Provos are trying to kill me. What protection can I give you – a Brit – on my doorstep? I can't do anything if they lift you . . . my advice is get out of West Belfast."

I was about to be charged under the Prevention of Terrorism Act for gathering information which might be useful to a terrorist. Taking pictures of security bases is forbidden in Northern Ireland and I was an easy catch, spotted outside the Woodburn army base by high-powered surveillance cameras mounted on a pylon over the streets.

Tension was high then. More than 27 policeman had been killed that year and the security forces were edgy. Tension is expected to rise again tonight with the bonfires. The security forces will be on the look out for "clodding" – stone-throwing battles which often lead to serious violence. In the worst parts of West Belfast stones give way to Molotov cocktails or condom bombs, home-made explosives filled with chemicals and acid. You can tell condom bombs by the terrible smell. Gelignite has the sweet aroma of marzipan.

Shopkeepers will spend the night in cars outside their premises. They claim the police will not answer calls about burglaries and looting for fear of being set up for a terrorist attack. Officers say they can keep an eye on many premises from the security of police stations using the type of surveillance cameras which caught me.

The RUC hope any trouble will die out by daybreak. Tomorrow is the actual anniversary of the battle between William of Orange and James II, but the traditional Orange Day marches have been postponed until Monday out of the respect for the sabbath. The interlude should give Belfast time to clean up before the Protestant celebration begins afresh with a two-day public holiday.

The uniforms and tunes of the marchers have not changed in years, nor have the routes they try to take through sectarian areas. But the landscape of West Belfast is undergoing a slow and painful facelift. Fewer shops and offices are protected by wire grilles; two new shopping centres have been built on the site of the old Eastwoods scrapyard; and whole areas of derelict housing have been razed to make way for new homes.

Divis, the notorious republican ghetto which marks the gateway to West Belfast, is being demolished as part of a £9m investment scheme. The high-rise blocks have been one of the main targets of the state Housing Executive which has built almost 1,000 new homes a year since 1982.

Tourist attraction? Protestants in Belfast will celebrate this weekend with marches, bonfires and stone-throwing

The redevelopment scheme, part of a £200m urban rehabilitation programme, stretches from the Royal Victoria Hospital – the site of the former Belfast and District Lunatic Asylum – to the River Lagan on the fringe of the city. It has helped to reclaim waste ground and provided the impetus for Europe's largest community-led environmental project: Colin Glen, a spectacular park which cuts a green swathe through the western suburbs.

These changes have helped make West Belfast into an area that is, in the eyes of the tourist board, fit for visitors. Unionist politicians have reacted angrily to the board's proposals, claiming tourist officials are trying to package the troubles for outsiders. A claim which the officials reject.

They are not the only ones who take a kindlier view of tourists. Sinn Fein, the political wing of the IRA, offers tourists a guide to the protest murals and army bases. And privately, police officers say visitors are unlikely to be detained for taking pictures of security installations.

Many of the improvements, however, are only cosmetic. Smart railings have replaced the concrete blocks that used to line grassy areas of the city to deter joyriders. But joyriding is as prevalent as ever.

The local economy has been drained by years of neglect during which the government directed investment to areas of political preferment. That has left unemployment averaging 36.7 per cent, rising to more than 60 per cent in pockets of the Catholic Falls Road and Protestant Shankhill Road.

With little prospect of work, many low income families live on estates suffering from vandalism and apathy. Most Belfast children never encounter violence or see a bomb thrown, but those who face the dole are not so lucky. They are ripe for racketeering and paramilitary recruitment.

The tourist board ignores all this and describes Belfast as "crisp, clean and inviting . . . a Hibernian Rio". If the city centre compares to that Brazilian metropolis, then West Belfast is its favela: spirited but poor.

There is, however, a group of entrepreneurs backed by the Industrial Development Board, which sees investment as the panacea for the problems. The West Belfast Business Opportunity group claims an enterprise culture is flourishing, with new companies taking advantage of cheap premises and labour.

The economic optimism has been fuelled by this week's face-to-face talks between Ulster leaders and the British and Irish governments.

Local community leaders say there is a ripple of hope rather than a wave. Too many residents have had expectations raised before only to see them dashed by industrial closures, recession and violence. The Phoenix Trust, a development group, says there is still "severe multiple deprivation".

Eamon Hanna, chief executive of the trust, says: "This would be a problem town even if a shot had never been fired . . . it's an uphill battle." Hanna and other business leaders say winning the economic battle depends on overcoming the area's poor image. That image could take a further knock this weekend if the bonfires become a prelude to violence and the clodding persuades outsiders to follow the advice I received – get out of West Belfast.

As They Say in Europe

Bavarian hospitality

THE Economic Summit drew the familiar hangers-on and international financial groupies to Munich last week. The last occasion they had gathered in such an out-of-the-way place was when the IMF and World Bank met in Bangkok last year. The comparisons were odious. As Daniel Hofmann of the *Neue Zürcher Zeitung* put it: "If they can get it right in a Third World country why can't they do it here?"

"Getting it right", in this context, meant organising everything smoothly for the media. That may be the ultimate test of a summit since reporters are more prepared to see it as a success if they are happy. Hence, the acclaim for last year's summit in London which was compact and slick and got everything wrong. In Munich, home of Siemens electronics, the electronics were what annoyed people. Deutsche Telekom is convinced it runs the world's best communications system, but it is short of modern phone systems and made few concessions to coupling systems which prevail elsewhere.

The press room was too hot when the sun shone, too cold when it did not, with noise and ants. Electronic links between the two main centres were rare, so if you wanted to hear what the Americans were saying you had to travel the half hour needed to get there.

Enough of complaints, so now for some compliments. The thing about German tabloids is that they have a go at everybody, not just those designated as political enemies. So they had a good summit.

Bild Zeitung gave a fascinating account of the private tastes of the world's leaders. President Mitterrand, it seems, does not drink, so his bar was cleared of alcohol and filled with freshly-squeezed fruit juices. John Major, however, has an unexpected reputation – he was given a vast assortment of Bavarian beers and Franconian wine. *Die Welt* reported that the hotel where the Japanese prime minister, Kiichi Miyazawa, stayed, rented a large number of Japanese to stand around the lobby so the honoured guest would feel at home.

The real test came on the first day. Munich Day had become what *Bild* called "A mad house." The authorities handled a few hundred anti-summit demonstrators with that rigorous intolerance of unorthodox opinion that most of the rest of Germany has overcome. The police formed a ring around the demonstrators in which they were held for hours. "If only Franz-Josef had seen it," was *Bild's* headline, a reference to the most famous of Bavaria's post-war leaders, Franz-Josef Strauss. It was this populist conservative who had decided that this summit should be held in Munich: perhaps he would have rather enjoyed it for he revelled in the confrontation it provoked. The headline in the *tz*, which is a local rival in the tabloid war, read: "This is the Summit: Brass bands and beatings." It continued, "The 'World City with a Heart' shows the world two different faces." When the Bavarian prime minister, Max Streibl, defended the police action, the paper shouted, "A mistake, Herr Streibl! We Bavarians are not bullies."

Among German journalists this led to an outbreak of inter-regional contempt. As one noted hack told me, "This could never have happened in North Rhine Westphalia." The verdict of the tabloids on the summit came in a review in *tz* of a local production of *Carmen* – "Just like the Summit: very expensive and not much in it."

The headline of the week came from another annual event, the Tour de France. When the Spanish cyclist Miguel Indurain took the lead, *Liberation* cried, "Singing Indurain arrive au top."

James Morgan

■ *James Morgan is economics correspondent of BBC World Service.*

Minding Your Own Business

High-tech wind in his sails

***David Blackwell** on a man trying to transform a cottage industry*

SAIL MAKING in England has suffered too long from being a basic cottage industry. That is the view of Nicholas Gray, who speaks with the authority of a lifetime's interest in sailing – and who has made his hobby his business by buying from the liquidators a sail making business in Neyland, Milford Haven, Dyfed.

In early 1990, for £25,000, he found himself the owner of one of the few purpose built sail lofts in the UK, complete with sewing machines and stocks. With a little more capital and a bank overdraft facility the business, originally set up only a few months earlier with some help from the Welsh Development Organisation, went from zero turnover to £100,000 in the first year.

From the start Gray, a solicitor who left London for west Wales four years ago so that he could spend more time sailing, recognised that the local market for sails was not going to be big enough to support the business. He was seeking to rationalise and modernise an industry which would still be recognised by a sailmaker from the 19th century – panels of cloth being cut and stitched together.

"There are lots of sailmakers all doing the same thing," he explained. While everyone is up to date with computer assisted design and computer laser cutting for cloth, few sail makers outside the US have divorced production from their sales outlet.

"In other words all sails are made where they are sold, which leads to enormous duplication."

He had an eye to the big sailing market in southern England, and seized the opportunity to buy for £15,000 Stephen Ratsey of Southampton, a well-established family firm which, in his words, had "lost its way a bit" since the death of Stephen Ratsey three years ago.

His strategy was to close down the manufacture in Southampton, retaining the premises for sales and service and make the sails in the Neyland loft, which is in an enterprise zone and has low overheads.

"Where neither business was profitable in its own right we have got rid of a whole layer of overheads with no reduction in service. The thing is beginning to make sense." he said. The company now employs six people in Neyland and three in Southampton, and is expecting to turn over £300,000 this year.

Stephen Ratsey has a reputation for making big sails for classic boats, and as Gray intends to stay in that market, he renamed the business Stephen Ratsey & Copp. His marketing drive has taken him to Brest this weekend where 1m visitors are expected to attend a show of traditional and classic boats from all over the world.

But the other huge advantage of buying Stephen Ratsey was that the company was considering a link with Doyle of Marblehead, the Cowes of the US east coast.

Doyle is highly successful in what Gray terms the "racing yacht and mega-yacht field." The company was looking for a UK outlet to promote sales and service existing Doyle sails. Gray has tied up a deal with Doyle to operate as Doyle UK, selling their sails in the UK from Southampton.

"They are selling to quite different markets – Doyle to racing and Ratsey to traditional classic boats and cruising boats," he said.

The yacht Moonbeam is powered by hand-finished sails made by Stephen Ratsey

The link with Doyle is expected to provide a further boost to turnover within a year. But in addition, Doyle is at the leading edge of sail technology, and Gray is convinced the days of cottage industry sail making are drawing to a close. "I wanted a US tie up to make sure we know all about and can take advantage of modern technology."

Sophisticated computer software is becoming established in sail design. The materials and techniques themselves are on the verge of change, with carbon fibre sails and welded seams in the offing. "A small business just would never get hold of that sort of technology on its own," says Gray, who has ambitions to become one of the biggest sailmakers in the £15m-a-year UK market.

TRAVEL


Women in traditional dress in Swaziland, which remains overwhelmingly rural

On horseback in Africa

Nicholas Woodsworth visits Swaziland, where an older way of life exists

IT WAS mid-morning and time for decisions. Submerged up to my belly button, I sat on an underwater stool at the bar pool, leaned back, and sucked thoughtfully at a pink lemonade. In the middle of an African heat-wave, one must consider one's options carefully.

Out on a raised tee not far from the pool, sunburned men in spiked shoes were belting great drives down the first fairway of the Royal Swazi Sun Hotel's hillside golf course. These were not the feeble and erratic efforts of weekend duffers like me; when they swung a club over their shoulders the competitors in the Swazi Sun Pro-Am Classic actually knew what they were about to do.

I, on the other hand, knew what I was about *not* to do – trot around after them looking for clues to improve my form. On airless greens baking in 42°C (115°F) heat, enthusiastic spectators were going down like ninepins.

There was another way, though, in which I could trot around in something like comfort. On the far side of the golf course I had spotted the hotel riding stable. My riding seat may be no better than my golf stance, but I could see few more pleasant means of getting to know this corner of Africa.

Trudge about on foot in this noon-day sun and you undoubtedly *deserve* the company of mad dogs. Drive around in a car and you miss much of the best the tiny country of Swaziland has to offer – spectacular hill country and a traditional rural way of life that has yet to catch up with the modern age. Half-an-hour later I had swung up on to the back of a tall chestnut mare named Vitesse and with guide Peter Emmett was setting out through the emerald fields of the fertile Ezulwini valley.

It may be the special quality of light one finds on the high plateau all over southern Africa, or it may be that factory smokestacks are few and far between in Swaziland. Either way, everything seemed bright and highly coloured on this cross-country hack through village, field and bush. The sky above was a fierce hard blue, the hills that rose all around a lush green, the dirt road along which Vitesse walked an unabashed red. In this world the vivid yellow butterflies that flitted along seemed only normal.

The Ezulwini valley lies only a 20-minute drive from the Swazi capital, Mbabane, in the most developed part of the country. Nonetheless it lives in a simpler, less complex age than our own. Leave the confines of the luxury hotels scattered along its length and suddenly, surprisingly, life itself, like the colours here, is reduced to its basic elements.

As very few African countries are these days, Swaziland remains overwhelmingly agricultural and its people rural.

Fording the muddy brown water of a stream, we passed women washing piles of laundry. Upstream, small naked boys splashed through the water like shiny brown seals. We overtook barefooted girls padding home with old kerosene tins full of water balanced on their heads. Beside tin-roofed houses that had neither running water nor electricity we saw mothers weeding their maize fields, newborn babies tied to their backs with shawls. Old men wrapped in the traditional garb of red cloth sat under shady trees by the road drinking beer. And in the wide rolling pastureland where we let the horses canter, cowherds with slingshots stood guard while snowy white tick birds rode the backs of their grazing charges.

Not surprisingly, Peter Emmett has fallen in love with this country. Nor is he alone – more than 10,000 white residents enjoy the pace of life here. Like him, many are South African escapees from a life of stress and racial tension. Some years ago, inducted into a crack military counter-insurgency unit, Peter found himself using dogs and horses to chase guerrilla fighters through the bush of pre-independence Namibia. Today he is much happier in his capacity as stable owner, competition rider and captain of the Swaziland polocross team.

While half Swaziland's expatriates are British, its economy is wholly dominated by the modern, high-tech neighbour that borders it on three sides; from where we were riding we could see the sugar cane fields and timber stands in which South African expertise and investment plays such a rôle.

All the more surprising, then, is Swaziland's striking retention of tribal customs and a traditional, African way of life. Even witchcraft continues to play an important role. Following, for example, a media Aids campaign in which they were admonished to "wear condoms at all times," many Swazis took to hanging unrolled condoms from their belts in the belief they had magic power to ward off infection.

But the greatest power in the land is vested in one man. Riding up the sides of the valley to a rocky crest, we climbed high enough to overlook the Royal Kraal, or enclosure, of King Mswati III. In the kingdom of Swaziland this, rather than any boardroom or government ministry, is the real seat of rule.

Mswati is very young and inexperienced, but here, advised by tribal elders, he rules by royal decree. His great wealth is judged not by his bank account but rather by the fact he is the largest cattle owner in the country – in Swaziland cattle are so valued as marks of status that few owners are willing to part with them and the country cannot fill its lucrative EC export quota.

Mswati may be British-educated, but does not keep British habits. Already he has seven wives, a niggling number compared to the five dozen his father had. How traditional does the king remain on a continent that is rapidly changing? When he recently convened national leaders and foreign diplomats to announce gradual changes towards more democratic rule, he had them sit before him on the grass in the Royal Cattle Byre.

On our ride I had seen plenty of cattle, goats, dogs and other domestic animals, but later that day I made a dramatic switch to their wild cousins. In the Mlilwane Wildlife Sanctuary, a reserve just minutes up the valley, I exchanged Vitesse for a dun-coloured gelding named Skukuza, and put myself in the capable hands of Innocent and High Noon, Innocent being a park guide and High Noon his horse.

Few experiences can match riding along at close quarters beside a thundering herd of wildebeest or high-bounding impala. In the softer, kinder sun of late afternoon, Innocent and I trotted off across rolling plains knee-high in feathery grass, along deep creeks thick with tropical vegetation, and through fragrant pine forests where leopards find refuge.

There were animals everywhere, giraffe feeding on the trees, wart hog rooting through the underbrush, hippo wallowing in muddy ponds, impala dozing in the shade. For some reason, wild animals pay little attention to cars; with horses, though, there is a direct and gratifying interaction. The herds sniff the air, twitch their ears, stamp the ground nervously, and then begin to run.

By sunset I felt I had all of Africa to myself. Hills and mountains glowed mauve. The plain before me was dotted with grazing zebra, the air filled with the smell of horse sweat and the cooler scents of coming night. Not far away at a poolside bar, exhausted men in peaked caps were settling down to an evening of tall tales. Soon I would be joining them. But talk of mighty blows and escape from deadly sand traps would no longer bring out the embarrased duffer in me. Let them set out through the African heat in deranged pursuit of that little white ball. I had my own, more pleasant pursuits, on four legs rather than two.

■ Nicholas Woodsworth *was a guest of the Royal Swazi Sun Hotel. UK office: Badgemore House, Gravel Hill, Henley-on-Thames, Oxfordshire, RG9 49R, Tel: 0491-574546, fax: 0491-576194. Peter Emmett, proprietor of the Ezulwini Stables, may be contacted through the hotel.*

A dive that comes alive

Juliet Sychrava explores coral caves in the Red Sea

CAROL and Paul are real British divers – the kind who struggle out of the churning waters of the North Sea laden with knives and computers shouting: "I told you you need a 25mm Neoprene."

These are worrying people to find sitting next to you as you prepare to fall backwards off a boat. But after a week of the Red Sea's brilliant waters, even Carol had forgotten to argue with the other eight of us about the finer points of the American demand valve.

As I set off for Hurghada, on the Egyptian coast of the Red Sea, I already suspected I was not a British diver. I prefer to know which way up I am, and found diving in the soupy waters off Devon last October uninspiring. "Did you see that scallop?" someone asked as we stood shivering on the beach. "Oh, was there a scallop?" "Yes, it was near the beginning..."

The Red Sea, by comparison, held out the promise of as much mixed seafood as anyone could digest. On the first day of our week's trip, our heads swivelled as a cry went up from one of the white-turbaned crew at the end of the boat. Said, the captain, was dangling what looked like a barracuda at the end of a line. "Lunch," he said, pointing at it with an enormous grin.

Lunch aside, we were careful not to touch anything while diving, not least because the Red Sea is home to such prickly characters as stone and scorpion fish, as well as large Moray eels which rise up like cobra from the rocks. "One girl last week stroke him and he take a bite out of her neck," Paolo, our Italian diving instructor, warned us. He liked her gold necklace, he explained.

But the eels, like most things in the Red Sea, will not bother you unless you bother them. As a result, feeding the fish is considerably more interesting than dropping pellets into a goldfish bowl. A hard-boiled egg is easiest to handle underwater, and brings thousands of multi-coloured fish crowding around your mask.

People who have not dived often imagine it to be dark underwater, but the Red Sea is alive with light. Through caves in the white fan coral, which waves like a miniature forest on the sea floor, hundreds of transparent glass fish hang suspended in the water. As you look up, they mix with the streams of your own air bubbles rising through the blue water to the surface, clearly visible high above us.

Then, suddenly, we saw the shark. As we pointed and hovered, it moved silently out of our vision. "It was a reef shark," Carol said. "No, it had a white band on its tail fin, it was a grey shark," someone else said. Paolo, the expert, landed on the boat, shivering as always. "Yes, shark," he said, "shark."

Identifying the turtles, tuna, and smaller fish we'd seen – dolphins sometimes accompany divers – was only part of the fun. The physical pleasure of diving is also part of it, as is the varied company. Our group included two osteopaths, a trade unionist, an army officer and a research chemist.

Hurghada, a strip of road between the desert and the sea, is not the place to go for sophisticated nightlife, though it is cheap.

■ *Regal Diving in Cambridge (tel: 0353-778096) is offering an eight-day trip (Thursday to Thursday) to Hurghada for £439 this summer. The price includes half-board, flight, and 12 boat dives.*

If you have never scuba dived before, you can go for the same time and price and do the basic beginner's "open water" course, run by PADI, the US diving organisation. Diving equipment can be hired at Hurghada.

Numerous travel companies offer Red Sea packages, including Twicker's World, tel: 081-892-7851.

A 'Hole in One' Weekend Break in Bermuda

Photo: Courtesy of Bermuda Tourism

The Financial Times, in association with the Government of Bermuda, invites its readers to join us for a unique golfing weekend on the 'Seventh Heaven' island of Bermuda. We have prepared a programme which includes an FT golf day at the Port Royal Golf Course, and time for rounds at other courses on the island.

Guests may travel on the 7 hour direct British Airways flight from London (Gatwick) to Bermuda on Saturday 17 October and return overnight on Tuesday 20 October. Flights on earlier or later Tuesdays or Saturdays can easily be arranged, or readers may prefer to make their own travel arrangements. Half board hotel accommodation is offered at either the Southampton Princess Hotel or the Ariel Sands Hotel.

The cost of this long weekend, which includes return air fare, hotel accommodation, transfers and a variety of social activities is £759. To reserve your place or to obtain further information please complete the coupon opposite.

Brief itinerary
Saturday 17 October - Depart London (Gatwick) at 1500hrs. Arrive Bermuda 1820hrs.
Sunday 18 October - Visit Camden, the Premier's Official Residence followed by a cocktail reception hosted by the Premier, the Hon. Sir John W.D. Swan, KBE, JP, MP. Barbecue dinner at Ariel Sands Hotel.
Monday 19 October - Financial Times Golf Day at Port Royal Golf Course. Dinner at Southampton Princess Hotel.
Tuesday 20 October - Day free. BA flight 232 departs Bermuda at 2200hrs arriving London (Gatwick) Airport on Wednesday 21 October at 0845hrs.

Tickets are subject to availability. Price quoted assumes double occupancy of room at the Ariel Sands Hotel. Accommodation at the Southampton Princess Hotel is an additional £26 per person. A single room supplement applies for both hotels.
Addresses supplied by readers in response to this invitation will be retained by the Financial Times, which is registered under the Data Protection Act 1984
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A 'Hole in One' Weekend Break in Bermuda

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☐ I would like to reserve ☐ places for 17 - 20 October and enclose a deposit cheque of £150 per person. Total cheque enclosed ☐
Please send me further details of itinerary and accommodation.

☐ Please send me further details of the visit to Bermuda.

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Hong Kong Street Food / **Ken Hom**

An authentic taste of Cantonese food

HONG KONG remains one of the most exciting and dynamic cities in the world, as well as the home of world class Chinese cuisine. It manages to maintain the great traditions, blending old and new, east and west.

However, if you are nostalgic for the authentic taste of good Cantonese food, as it was before Hong Kong became an international economic power, then you want to visit what the Cantonese call *dai pai dong* – which literally means big sign street food stalls.

These are the old-fashioned food stalls that proffer treats from snacks to full meals, to a hungry but very busy clientele. Hong Kong's street food vendors sell their specialities out of stainless steel stalls, usually set on wheels.

Most of them use a propane gas or charcoal burning stove, so that food is always piping hot. I have enjoyed savoury pork dishes stir-fried with fresh seasonal vegetables; I have vivid memories of succulent fresh prawns, slices of fresh fish; soft, freshly-made rice noodles, soothing congees, even crispy roast duck.

However, if you want to see these *dai pai dongs*, you had better hurry. In the past, they dotted the landscape of Hong Kong and Kowloon. They were part of the street ambience with their fragrant aromas wafting through the narrow streets and alleys. Today the food vendors are being moved from the street and settled indoors. They are increasingly congregated together in concrete, sterile market complexes, losing much of their charm. Why is this happening?

Masses of people crowded together, exorbitant real estate prices, commodity distribution imperatives, economics of scale, the need for efficient use of space, the obliteration of local and neighbourhood facilities are just some of the reasons.

In Hong Kong, space is at such a premium that it must be strictly rationed in order to be fully utilised. Street food stalls are inevitably being congregated, ordered and rationalised to obtain maximum efficiency of both productivity and land use.

There are other reasons for this reorganisation. One of them concerns health and food hygiene. In spite of the fact that food served up in these street stalls is always fresh and hot, the ability of the authorities to supervise the thousands of such outlets is sorely tested, the fear of unhealthy conditions in Hong Kong's subtropical climate is always present.

Congregating the food stalls will improve both official supervision and hygiene. This has never been a major concern for me as the food served was always cooked in a very hot wok and I felt that anything which would survive the heat of the wok probably deserves to live anyway.

As Hong Kong hurtles toward its union with the mainland, the atmosphere of change is increasingly charged with hope and anxiety. It is my impression that the continued popularity of the *dai pai dong* is related to needs generated by these emotions.

People seek to anchor their lives in those traditional forms and experiences that, at least in retrospect, have served them well in the past. Hong Kong and Kowloon were known the world over for their sidewalk restaurants each with a few chairs and tables, each purveying its own specialties.

The constant hustle and bustle around them, from early morning until very late in the balmy evenings, imparted a vitality to street life and are missed by many in Hong Kong. Rampant nostalgia plays a part in all this but economics and sociology are primary. Masses of Hong Kong people are relatively better off than they were 20 years ago. They have disposable income and are taking more time to savour the fruits of their labour.

They eat out more often and in general have more leisure time. Thus, they can take time to eat in proper restaurants, rather than on the local street corner. Alas, it is part of modernisation and I am afraid it may go the way of Singapore.

Some of Hong Kong's most successful restaurateurs began their careers as street food hawkers. There is no better proving ground for one's inventiveness, market awareness and appreciation of what makes the customers coming back.

However, I still make the rounds to my favourite *dai pai dongs*. These include those in the neighbourhood of Mongkok in Kowloon; on Soy Street, appropriately enough, in Wanchai around the market; near Kai Tak Airport and in Yaumatei. Explore the area at the back of the Peninsula Hotel and the Star Ferry Terminal, places familiar to every tourist, and near the central market off Graham Street on Hong Kong island.

Les Halles in Paris, Covent Garden in London, the pushcarts of Hester Street are all gone, rationalised out of existence. The street food stalls of Hong Kong and Kowloon are following them. However, I believe that regardless of what happens when the colony is reunited with China, and in spite of the rationalisation now taking place, one will still be able to experience the joys of Hong Kong street foods in some way.

Hurry, hurry, hurry: if you want to catch Hong Kong's street food vendors before they are settled in an indoor complex

A gastronomic tour of Yorkshire

***Nicholas Lander** enjoys beautiful countryside and genuinely good food in the north of England*

NEITHER Yorkshire nor its inhabitants have ever taken kindly to outside influences but, in a world where regional differences are disappearing, this may prove an advantage.

Certainly anyone, let alone a Lancastrian such as myself, could be forgiven for thinking that the gastronomic changes sweeping through England would be rebuffed at Yorkshire's borders.

Far from it. Instead, committed individiuals at various isolated outposts throughout Yorkshire – George Pagendham at the Black Bull, Moulton (0325-377289), Michael Gill at Pool Court ((0532-842288) and the Wynnes at Epworth Tap (0427-873333) – will revive the most discerning of travellers. The attractions of a Yorkshire gastronomic tour lie not just in the immediate pleasure but in the longer-lasting and, perhaps more incongruous, memories.

We arrived at Winteringham Fields to find an hotel that could sit easily in France or Switzerland.

This is not surprising since it is owned by Swiss chef Germain Schwab, and his Grimsby-born wife Annie. Romantic encounters in the restaurant business are never ordinary but theirs, at a mountain-top restaurant in Zermatt where he was the cook and she the manageress, must be one of the more unusual.

Trained in Switzerland, Schwab worked in France, Italy, Germany and London before they started their first restaurant together on a small farm outside York. With £200,000 they turned a derelict building into a thriving business.

Schwab stressed just how cooperative the village had been in helping him establish his restaurant and build extra rooms. And, of course, his hotel has brought considerable benefits to the village. Meat is bought from the local butcher and during the summer he obtains fruit and vegetables from villagers.

The Schwabs have also put Winteringham on the map in a way that the absence of local signposts seems determined to prevent. The motorway brings loyal customers from Leeds and Harrogate, and there is a good throughput of tourists, German, Dutch and French, en route from London to Scotland.

The cooking reflects Schwab's upbringing and travels. There were excellent breads at both dinner and breakfast and a variety of home-made jams. One *amuse-gueule* of thin slices of pork cheek and black pudding with an apple compote seemed designed to please equally the natives of Yorkshire and Bavaria. There is also an emphasis on sophisticated desserts, always appreciated in the north of England.

Dinner included two exciting dishes: a surprisingly successful first course of Savoy cabbage stuffed with slices of monkfish and foie gras, followed by a casserole of goat with a roast pear. Amid the flat, charming, quiet countryside, he is perfecting what he has learnt and working uninterrupted on his own ideas.

Isolation is not a feeling you will experience if you eat or stay with the McCoys at the Tontine in North Yorkshire. The house was built as a coaching inn. Today, the busy A19 supplies constant traffic along one side of the property and the talents of the three McCoy brothers, Tom, Peter and Eugene, bring human traffic through the front door.

The brothers provide the complete management structure. Tom cooks for the restaurant, Peter looks after front of house, breakfast and desserts and Eugene takes care of the bistro and the wines.

Now established as one of the most enjoyable and idiosyncratic places to eat in the North East, McCoy's also reflects the vast improvement in eating out in this country over the last 20 years.

The bothers reckon that because the hotel is open every night of the week and the bistro for every lunch and dinner it has to be pleasurable for them as well as for their customers.

Hence a most comfortable hotel lounge with the most successful collection of old armchairs and sofas; large parasols over some of the dining tables, an extremely funny and well-chosen wine list and a loyal band of very friendly staff.

The cooking in the restaurant is not cheap – first courses cost £9 to £10, main courses £15. Neither is it simple – try a Bresse pigeon with cream, leeks, truffle, foie gras and port glaze – but it is generous. It is the bistro downstairs, however, which would make most London restaurateurs envious.

The bistro was originally the hotel bar and doing little business.

The McCoys have changed that. There are no tablecloths, the napkins are paper, menus are written on blackboards, there is no air-conditioning and it is packed. There were 120 customers in and out on the night I visited eating anything from huge bowls of mussels, an queen scallops and garlic butter, sausage, Yorkshire pudding and onion gravy and huge steaks and Dover soles. Desserts included sticky toffee pudding and banana McTophie.

A blackboard, the same standard of enthusiastic, polite and helpful staff and the same county are all that links the Tontine with The Sportsman's Arms at Wath in Nidderdale.

Head for Pateley Bridge near Harrogate and follow the signs for Wath. As the valley closes in the countryside becomes more inviting. After two miles there is a small car park signposted on the right. Use it and walk across the bridge over the River Nidd, which supplies trout for the pub's kitchen, and up to an imposing pub.

The bar menu has almost everything you could ask for before or after a walk on the moors. Bowls of homemade soup and crusty bread, huge servings of ploughman's lunch, and rolls stuffed with smoked salmon and other fillings.

For those who prefer to look at the moors rather than walk them there was dressed crab and a number of hot fish dishes on my visit. Lest you forget that it is a pub the draught beer is good too.

After lunch we did go for a walk. On the way back we sat on the swings in a field opposite the pub, looked at the countryside around and wondered why we were rushing back.

■ **Winteringham Fields, Winteringham, south Humberside DN15 9PF. Tel: 0724-733096, fax 0724-733898. Rooms £90 double, set lunch £13.75, à la carte dinner approx £30. Closed Sunday. Access and Visa.**

■ **McCoys, The Tontine, Staddlebridge, North Yorkshire Dl6 3JB. Tel: 060-982 671, fax 060-982 660. Room £100. Restaurant dinner £40, bistro £25. All cards.**

■ **The Sportsmans' Arms, Wath in Nidderdale, Pateley Bridge, near Harrogate. Tel: 0423-711306. Rooms £50, bar lunch £5-£10, restaurant set dinner £18.50. All cards.**

Cookery / **Philippa Davenport**

The pea: one of life's little luxuries

ONCE UPON a time there were fresh garden peas and dried field peas. Fresh peas were a fleeting summer treat, sweet and tender with a hint of asparagus flavour, one of life's little luxuries.

Catherine de Medici is credited with introducing them to the French court. Louis XIV loved them. So did King George III; patriotic British gardeners traditionally strove to have the first of the crop ready by June 4, his birthday.

Dried peas, yellow and mealy, brought solid winter comfort to commoners – think of mushy peas, pease pudding and foggily thick pea soup.

Monarchs made use of dried peas too, occasionally slipping one under a pile of feather mattresses to test whether princesses had the capacity to be truly royal.

Then the frozen food fairy waved her wand and fresh and dried peas all but vanished. Greengrocers and supermarkets were invaded by millions of polythene-bagged, seasonless, greener-than-real-life-green frozen peas. Tender and sweet, oh yes; but bland and characterless.

Just occasionally hopes were raised by news that so-called fresh peas might be found on sale, but what a disappointment they turned out to be: ungraded bullets in yellowing pods as coarsely webbed as army belts.

After years of pea deprivation, a couple of years ago I spotted some peas from Egypt in a local supermarket. They looked juicy and fresh and tasted as garden peas should. Manna from heaven.

This summer the news is even better. English garden peas have returned to our shops.

For two or three weeks now I have bought them and found them a delight - food for proper summer celebrations, to serve with other seasonal delicacies such as sea trout and lamb, and to enjoy on their own.

PENNE WITH PEAS

(serves 4-6)

Pasta and vegetables play an equal role in this dish which can be served as a substantial first course or as a light main course. A somewhat similar dish of peas (minus the pasta) is served at the Ristorante Sozzani in Sondrio, capital of Valtellina in northern Lombardy, where it successfully partners osso bucco in lieu of the more usual risotto milanese.

12 oz pasta quills or shell shapes; 1 lb peas (shelled weight – in other words you will need about 3 lb peas in the pod); half a dozen or so outer leaves taken from a Cos lettuce; 1 large onion; 2½ oz butter or melted bacon fat; about ¾ pt light stock or water; a few tablespoons of freshly grated Parmesan cheese.

Chop the onion finely. Warm the fat and stew the onion gently in a covered pan for a few minutes. Add the peas, stir briefly and pour on enough liquid to immerse them completely.

Half-cover and cook for 25-30 minutes until the peas are so creamily tender that they are easily crushed between finger and thumb.

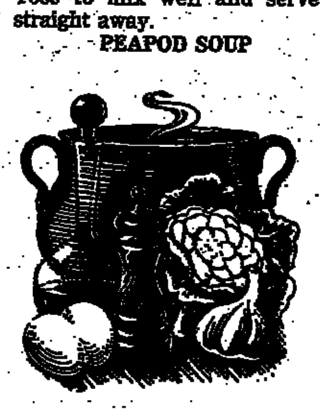
Shred the lettuce finely and add it to the pan after the first 15 minutes. Push it well down into the pan so it wilts quickly.

Towards the end, season the peas with plenty of coarsely ground black pepper, some salt, and a pinch of sugar maybe.

When they are ready, the vegetables should be moistened by, rather than swimming in, a little well flavoured syrupy sauce. Remove the pan lid to drive off surplus liquid if necessary, or add a splash more water and cover tightly if the juices evaporate too fast.

Boil the pasta and drain it quickly. Add it to the peas and sprinkle on a little Parmesan. Toss to mix well and serve straight away.

PEAPOD SOUP



(serves 4-6)

There is something very pleasing about making use of foods that might otherwise go to waste.

Blackcurrant leaf sorbet and this delicate green soup are especially delicious examples of such frugal cookery – but the soup is only worth making with fleshy green pods fresh enough to snap juicily.

1½ lb peapods; a small handful of young peas (optional); half a dozen spring onions; a little lemon juice and sugar; a few sprigs of mint; about 2 pt water or light stock; ¼ pt cream.

Put the well-washed pods into a soup pan with a sprig of mint, the chopped spring onions and half a teaspoon of sugar. Pour on 1½ pt water (the water saved from cooking asparagus is ideal) or light stock.

Cover tightly and simmer for 45 minutes, crushing the pods down into the liquid with a potato masher every now and again.

Set the covered pan aside for half an hour. Then strain off the liquid and cook the peas in it. Meanwhile whizz the pods to a puree in a food processor and sieve carefully to separate fibre from tender green pulp.

Stir the contents of the pea pan into the pulp. Add the cream, season with lemon juice, salt, pepper and sugar, and thin with ½ pint or so cold water or stock to taste.

Chill well and serve in soup cups or plates, each garnished with a single mint leaf.

Foie gras and confit for perfect parties

THE story began in 1985 when Michel and Elizabeth Rostaing were married. Everything about the wedding was very English. Everything, that is, except the champagne which Michel brought over from Oger in France.

It went down a treat. His guests (now clients) thought it excellent and, six years on, he is still supplying friends and customers with this white grape nectar from Champagne, called Jean Milan, Grand Cru, Brut Special (£12).

From there, it snowballed. The French consulate was enthusiastic and helped to make the project easy; so much so that Elizabeth hit on the idea of introducing her English friends to French duck foie gras.

In the heart of foie gras country, the Landes, in southern France, she knew a man called Andignac who raised duck for the region's famous product. She bought his foie gras and began selling it in England. Now, she too, has a faithful following. I bought a loaf of her pure fresh foie gras (250g – £12) which came vacuum-packed and kept for several weeks in the fridge. It was the perfect answer when I was called on by my husband to entertain important clients. How to impress them? Easy. A bottle of Sauterne was put on ice. I served each guest with a slice of foie gras nestling in a bed of endive and mushrooms dressed lightly with a walnut oil vinaigrette. My husband is still basking in the afterglow of the success.

Another of her specialities is *confit de canard*, the essential ingredient for an authentic French cassoulet, for which you need:

1 kg of haricot beans; ½ kg of brisket of lamb; 6 pork sausages (sliced); 150g of smoked bacon; 1 kg of confit and its fat; 4 onions; 4 tomatoes; 4 garlic cloves; ½ bottle of wine; bouquet garni; cloves; salt and pepper.

Soak the haricot beans and cook them in a saucepan of water with a

clove-studded onion, bacon, salt and peppper and wine for 90 minutes.

While the beans are cooking, open the jar of *confit*, keep the duck aside and stir-fry the garlic, tomatoes, the rest of the onions, lamb and sausages in the duck fat. Cover and simmer for 10 minutes.

Strain the beans, reserving the stock and add them to the meat, along with enough stock to cover the lot, and cook slowly for half an hour. Add the confit to the cassoulet and continue cooking for 30 minutes.

Another delicious treat worth trying, too, is the foie gras *entier* (£14.80 for 180g) I found it very rich and smooth with a good, strong flavour. It was served best with chunks of coarse country bread (try Sainsbury's *pain de campagne* – 79p) and a salad of tomatoes and black olives.

Prices for confit de canard start at £5.50 for 750g, and there is also a selection of terrines at £2.50 for 180g – the *terrine de canard au poivre vert* is possibly the tastiest.

It is worth noting that Rostaing sells goose fat (£3.10 for 800g). Forget butter. Any French chef worth his onions cooks with goose fat. (The chef at Hilaire in London SW7 is famed for his salad Niçoise featuring fresh tuna cooked in goose fat).

Rostaing's products were reasonably priced and she will deliver to Londoners and has an efficient postage and packing service for those outside the capital. For an order form ring 081-788-6908.

Rostaing's foie gras and duck products are all cooked. If you want to really lash out then you can buy raw foie gras. Very few shops stock it but you can buy the whole liver, vacuum packed from Boucherie Lamartine, at 229 Ebury Street, London SW1. Tel: 071-730-4175. It will cost you about £41 for a 2lb liver.

The best culinary treat to my mind is hot *foie gras* and for that you need 1lb of foie gras cru (raw) sliced into eight. Season it and marinate it in a wineglassful of Armagnac. Then fry each slice in your hot goose fat. Serve it on fried bread, decorate with a few snips of chives, and tip the juices from the pan over each portion. It is food for the gods.

Lucinda de la Rue

The 1991 clarets on offer

TO SELL or not to sell: that has been the problem of many Bordeaux châteaux with their 1991 clarets.

The problem arises because of three factors. First, April frost savagely cut production of most, but not all, châteaux. Second, heavy, diluting rainfall fell just before the vintage. And, third, there is plenty of wine from previous vintages still on the market. *En primeur* demand for the 1991s is at the very least problematical.

The damage in the vineyards was so bad that JP Moueix, the leading Libourne company, refused either to introduce its own wines or buy from any of its normal suppliers in St Emilion and Pomerol.

To ensure at least some sale, the very low level of the 1987 *en primeur* prices was canvassed for them in the Bor-

deaux trade, but as the successful 1991s are certainly better, this was too much of a cut for the first-growths, assured of a certain sale, and some of the leading seconds.

The former generally raised their 1987 opening price of FFr 130 a bottle to FFr 160, and the others have not come out, but Pichon-Lalande and Montrose have. I tasted both at the Union des Grands Crus tasting in April, and they seemed excellent wines; and my favourites among the firsts were Ch Margaux and Latour.

Wine merchants in the UK have had similar doubts to many of the châteaux owners as to the saleability of the vintage; and a number have made no opening offer.

Others have, and a table of their comparative prices is given here. As fewer firms than usual have come out, and the lists are very selective, prices have been included where there are only one or two quotations.

All prices are per dozen ex-cellars Bordeaux with shipping, duty (now £11.34 a dozen) and VAT (currently 17½ per cent) and delivery to be added.

Hungerford repeats its usual claim to match any ex-château price lower than its own, subject to stock availability; and Bibendum will quote on any other château not listed but obtainable on the Bordeaux market, an offer, no doubt, that merchants here would be glad to back and the depressed Bordeaux trade only too happy to supply.

Buyers cannot look for any resale profit, but in many cases the crop was so small that the successes may be hard to find later. Those who like to follow particular châteaux may care to represent a vintage which will probably develop fairly quickly.

Averys, Bristol (tel: 0272 214141); Bibendum, London NW1 (071-722-5577); Hungerford Wine, Hungerford, Berks (0488-683238); Lay & Wheeler, Colchester, Essex (0206-764446); Layton, London NW1 (071-388-6081).

Best 1991 claret prices

THE PRICES below in £ per case (ex-cellars Bordeaux in bond) are *the lowest for each property resulting from a survey of six* suppliers. The key indicates the lowest price supplier of each wine.

Pauillac
Lafite 274 (L&W), Latour 275 (Av,Bib), Mouton-Rothschild 265 (Layt), Pichon-Lalande 125 (Bib), Duhart-Milon 74 (Av), Pontet-Canet 85 (HWC), Batailley 62 (Av), Haut-Batailley 69 (Layt), Haut-Bages-Libéral 53 (L&W), Clerc Milon 91 (HWC), Les Forts de Latour 125 (L&W).

St Estèphe
Montrose 95 (Av,Bib), Beausite 45 (Av).

St Julien
Léoville-Barton 85 (Bib), Léoville-Poyferré 82 (Av), Langoa-Barton 78-88 (L&W), Beychevelle 120 (Layt).

Margaux
Ch Margaux 274 (L&W), Pavillon Rouge de Ch Margaux 88 (L&W), Palmer 150 (Av,Layt), d'Issan 74 (Av), Angludet 59 (Av), La Ségorce-Zédé 75 (Av).

Moulis, Haut-Médoc
La Lagune 72 (L&W), Chasse-Spleen 79 (HWC), Beaumont 41 (Av), Sociando-Mallet 86 (HWC).

Graves
Haut-Brion 260 (Bib), La Mission-Haut-Brion 185 (Av), Fieuzal 89 (Av).

St Emilion, Pomerol
Pavie 113 (Av), La Conseillante 195 (Bib), Le Pin 525 (Bib), Dom de L'Eglise 77 (Av).

■ **Key:**
Av = Averys of Bristol (tel: 0272-214141)
Bib = Bibendum, London NW1 (071-722-5577)
HWC = Hungerford Wine Co, Hungerford (0488-68238)
L&W = Lay and Wheeler, Colchester (0206-76466)
Layt = Layton, London NW1 (071-388-5081)

Lucia van der Post discovers some of the secrets of Celine, a chic Paris fashion business. She also goes in search of objets d'art

A staid fashion house with a real buzz

THE PARIS fashion house of Celine is one of those opaque French institutions that seems, mysteriously, to flourish although from the outside it is hard to fathom how and why. Celine has always had about it an air of satisfied, bourgeois comfort – respectable, but exciting? Hardly.

It is not only in Paris that Celine has flourished. The London franchise, owned by Michael and Lawrence Feldman since 1967, has been just as successful. Quietly, without fuss, it has grown into a good, profitable business, even managing in these dire times to increase profits, doing 10 per cent more business in 1991 than in 1990 and another 20 per cent more in 1992 than the year before.

"We don't mind the fact that our name isn't on everybody's lips," says Michael Feldman, "it gives us a certain low-key appeal."

If it has appeal it has to be low-key, for its clothes are not much featured in the fashion press, its Paris shows do not set the headline-writers' pens a-quiver. Who then buys Celine and what is its secret? It is hard to tell. But in the UK several members of the royal family are known to troop through the door – Princess Alexandra, the Duchess of Kent, Princess Michael of Kent as well as the Thai royal family, rich Indonesians, richer Japanese. In Paris, besides Madame Pompidou and the well-heeled *matrons of the 176th arrondissement*, actress Catherine Deneuve, Princess Ira Furstenberg, model and actress Margaux Hemingway, television presenters and young actresses saunter in to the chic little premises off the Avenue Montaigne.

Its secret is summed up by one of *its* fans: "It's Chanel-style at half the price." Whereas a Chanel suit cannot be had for much under £1,200, the newest Celine boutique on Sloane Street is filled with flirty, desirable little numbers, with lots of zip and class at *prices that start at £500. As* Celine is known to use the same sub-contractors as Chanel, the value for money is clear.

All those career women wanting a fresh, fashionable and classy little suit to take them through the day which they can then dress up with jewellery at night, will find lots to choose from.

Anyone wanting a handbag will find a beautifully made, fine leather number with a pedigree look at about half the price that one of the more high-profile names would charge.

Celine seems to be a very clever business – somehow its founders managed to attach to the ready-to-wear label the sort of cachet and status that puts it right up there with the haute couture houses.

It was bought from its founders, Celine and Richard Vipiana, three years ago by *Bernard Arnault, head of the* French group Financière Agache, who decided that the thoroughly respectable Celine was just what he needed to round out his luxury brands group. A safe, "very clean name," to use the words of Nan Legeai, Celine's chairman and chief executive, the label had never been debased.

Arnault's next move was to put Nan Legeai, an American whom he had met when she working at Dior, in charge of Celine to ginger it up. "Turn it into the hottest thing in town," he told her, "and triple the profits in three years."

Three years on, taking in a world recession, the Gulf war and tough competition, Celine may be not the hottest name in town but it is definitely higher profile. Younger women are trooping through the door and profits have been tripled.

Legeai says she had no doubts that Celine could be turned into a top class international fashion name, even without the traditional engine for such status, a haute couture range.

She is sure that there is a role for high-class ready-to-wear and that is where Celine has carved a niche. Its style is haute couture – formal and dressy without the relaxed insouciance of Armani or Max Mara. It is more anonymous, more Continental than Donna Karan or Ralph Lauren. It could happily go to Longchamps or Ascot, to cocktails or weddings. Yet its prices are ready-to-wear.

"Modern men and women," she believes, "want simple, modern, well-cut, well-tailored clothes in beautiful fabrics, excellently priced. They are more confident in their own style and do not need to pay the £5,000 and more that a haute couture number would cost."

Much of the cleverness has been the pricing strategy. Nearly all the couture houses have three different lines: couture, *which it is reckoned only* some 3,000 women in the world can afford; boutique, *very* expensive exclusive ready-to-wear; and a lower-priced diffusion line. Celine has just one collection, priced between the couturiers' boutique and diffusion lines.

It is able to deliver this kind of quality at that kind of price because there are no star designers on mega-buck salaries and all margins are closely controlled.

Legeai's first task was to make sure that everything Celine shops sold originated in Celine design studios.

"I wanted all Celine customers everywhere to be able to buy every Celine line. Every shop throughout the world offers the same range from the same two collections a year."

A major task, of course, was rejuvenating the name, bringing in new, younger customers without alienating the existing *ones. This she has done and* part of the purpose in opening the new store in Sloane Street this week is to enable the British customer for the first time to buy the new, fresher, zappier lines.

It is a tough time to be opening a new shop in London (Michael Feldman likens it to "buying a deck-chair on the Titanic") but they are both confident.

"Yes, sure, times are tough but the more competition one has, the more difficult things are, the better one must become. Our designers have really to think about how to do things better and less expensively. A lot of very important things start during recessions. Next year we will add new products – watches, sunglasses and a fragrance."

Hot gossip in Paris has it that Nan Legeai is likely to be given the task of jazzing up Christian Dior but she dodges any questions on those lines very artfully.

What might her future plans include? "Well," she says, "I think Celine has come a long way in three years but we have a lot further to go. We are strong in Europe, very strong in Asia but we are only just starting in America. I want to turn Celine into one of the most profitable fashion houses in the world.

"I have just done a plan for the next three years and even looking ahead conservatively I predict that we will grow between 15 per cent and 20 per cent per year. Fashion is there to make people look good and feel good – that's what Celine is all about."

At Celine, 28 New Bond Street, London W1, the summer sale is on. The crisp, grey Prince of Wales checked dresses softened with white pique collars, photographed here, are reduced from £650 to £375. The black miniature belt bag is reduced from £275 to £195

Nan Legeai, whose brief three years ago was nothing more and nothing less than to turn Celine, the Paris-based fashion house, "into the hottest thing in town."

For next winter, from the once staid old house of Celine – thick, ribbed knitted shorts with matching jacket in brilliant orange, red, blue and brown cotton (£495) and a short red swing coat with gold motif buttons (£550). Jewellery also by Celine – round gold earrings, £93, red suede gloves, £125. All from Celine at 28 New Bond Street, London W1 and 6l Sloane Street, Knightsbridge, London SW1

Hot on the trail of antiques

ANYONE trundling around England, either on holiday or on their way to and from the traditional summer events being held around the country, might like to invest in Carol Fisher's new book, *The Touring Guide to Antique Shops in England**.

She lists most of the best antique shops – from country ones in little villages in Derbyshire or East Anglia, to the tourist routes of the Cotswolds and the west country.

For obvious reasons she does not attempt to cover London, concentrating on countrified areas which are less well documented and where more guidance is needed. She gives maps and details of 12 different touring routes listing all the shops in the historic towns, cities and village on the way.

I could have done with fuller, more opinionated entries on each individual shop. For instance, I long to know exactly what sort of furniture, country or formal, 18th century or 19th century, and precisely what sort of ceramics are on sale, but she contents herself with simple lists. Nonetheless it is a very handy guide which I propose to keep in the car's glove compartment.

*£7.99 from Harrods, the British Tourist Authority shop in Lower Regent Street, London SW1 or direct, by mail (£1 extra to cover postage and packing) from Carol Fisher at 162a Balham High road, London SW12 9BW.

□□□

Still on the theme of antiques, if you are heading into Essex or East Anglia in search of country furniture, you might like to stop in at Hay Green Antiques at Hay Green Farmhouse, Hay Green Lane, Blackmore, Ingatestone, Essex CM4 OQE. (Tel: 0277-821275).

There Valerie and Tony Harding run an antique and reproduction pine furniture business from the barns adjoining their Georgian farmhouse. Much of the furniture comes from abroad and quite a lot of it is fairly ornate – *antique pine tables* from Denmark (about £400 for a table 3 ft by 4 ft), carved wooden sofa frames (a Victorian chaise longue in stock is for sale at about £850), armoires and corner cupboards, bureaux and side-tables.

A good glazed dresser, with a cupboard base and a glazed top and some pretty carving, would be about £595. Besides the real antiques, all of which *are restored on the premises*, there is a selection of reproduction pine furniture – made to look as if it had been around for years.

The shop-cum-home is open every day of the week except Mondays from 10 am to 5 pm.

The sorry tale of the missing millions

■ Continued from Page I

is to build a giant office and shop complex to benefit from the Channel Tunnel's main *junction point in Kent. But* this grandiose vision is proving controversial. Local Anglicans have been angered by the potential disruption of communities and have questioned the scheme's financial soundness from the outset. Some protested directly to Dr Robert Runcie when he was still Archbishop of Canterbury.

This was not the first time that the commissioners faced controversy over the social consequences of their role as landlords. Part of their Paddington estate used to contain pockets of prostitution, including an area near Paddington Station known as Sin Triangle. And, in spite of being powerless to act under the terms of 19th century leases, the commissioners were accused of paying the clergy from the proceeds of immoral earnings.

More recently the commissioners have been forced to justify their investment policies in the High Court by the Rt Rev Richard Harries, Bishop of Oxford, who rejected the idea that the church's interests were best served by maximising investment returns.

Dr Runcie's response to criticisms of the proposed development at Ashford was robustly commercial. "We have to face the fact," he said, "that in many parts of the country, development is the price we have to pay for economic expansion." His view appears not to have been shared by Chris Patten, environment secretary at the time and a Roman Catholic, who rejected the outline planning application. According to documents seen by the *Financial Times*, the open market value of the site without planning consent was estimated to be only £15m after the rejection, compared with its original cost to the partners of £65m.

More than £200m of the write-down against the church's property portfolio relates to developments such as these. The consequences for the church's income, which is what really matters to the clergy, are depressing. So why did the commissioners go out on such a limb?

The *Financial Times* asked Matthew Oakeshott, of Olim, the independent fund manager which runs property portfolios for large pension funds and Oxford Colleges, to look at the commissioners' annual report. He was struck by the exposure to property, when compared with the average pension fund, the property holdings of which are now down to 7 per cent. Oakeshott was also surprised that the commissioners attributed their faltering income to recession, since the property income of most long term funds continues to rise.

He diagnosed a lack of clarity about performance objectives: if this were a large pension fund it would be normal to have more information about the management structure, clearer figures on investment returns and an attempt to address the issue of asset allocation directly.

That view would apply with equal force to earlier annual reports. Performance is mainly discussed in terms of individual asset categories such as shares or property. No figures are given for the total return on the funds. In the absence of any clear statement of long-term asset allocation policy, says Oakeshott, they appear to be judge and jury in their own case. Much the same might be said of the commissioners' advisers, Chesterton, in the sense that they provide valuations for the property performance measurement, as well as advising on purchases.

Sir Douglas Lovelock, the First Church Estates Commissioner, said the commissioners decided to borrow for property development because they were under pressure to generate more income to meet rising pension costs in the early 1990s. Without borrowing, they could not have invested in such a big development as the Metro Centre. Developments, he added, also provided an element of diversification away from offices into retail property. The commissioners, unlike some, had not been badly hurt in central London offices, the worst hit area of the market.

"Ideally," he said, "we would have sold farms and offices, but we cannot do it fast enough. We are reducing our property, and would like to reduce further." On the borrowing, he said: "Hindsight does not lead me in a different direction" and added that the borrowings were not high by the standards of property companies.

It seems odd, however, to compare this arm of the Anglican church with a property company. Other sources close to the commissioners suggest that the decision to borrow may also have been indirectly influenced by pressure from the National Audit Office, which vets the accounts. Under the 1947 Church Commissioners' Measure, the commissioners are allowed to spend money *on pay and pensions* only out of earned income, a rule designed to protect the interests of tomorrow's clergymen against those of today. Within that constraint, property development creates problems because it depletes income during the long gestation period before developments generate revenue.

In their earlier developments financed from their own resources, the commissioners found a means of *smoothing* their overall income through the separately constituted subsidiary companies that undertook the developments. While these were legal, the National Audit Office is believed to have worried about the spirit of the arrangements.

By borrowing money on which the interest was rolled up until completion of the development, the commissioners' current income has been protected from an interest charge now running at more than £50m a year. They have also had the benefit of high money market interest rates on sums set aside to repay the borrowings. But now that bor*rowings must be repaid, the fat* receipts from money market accounts are being replaced by very low returns on property. Hence the income crisis and the huge demands now being made of Anglican parishioners.

The Church Commissioners have been obliged to sell off many of their better properties while the market is at its lowest level for many years. The clergy, whose average annual income is little more than £12,000, is no doubt meekly accepting the commissioners' explanation of events, while the Anglican laity reaches into its pockets with as much goodwill as it can muster. In an organisation where questioning the performance of well-meaning people might be seen as un-Christian, no investigation into the disaster has been announced.

But not everyone has emerged poorer from the saga. While the commissioners continued to increase their prop*erty holdings, one of their part*ners, Martin Landau, was bought out of Imry in a takeover at the peak of the boom. While investors in the bidding company, Marketchief, lost all their money – the company is now the subject of a rescue led by Barclays Bank – the irrepressible Landau is a tax exile in Monte Carlo.

Dr George Carey, Archbishop of Canterbury

The sabres rattle in a quiet country corner

***David Hoppit** on the dispute over the future of £4.5m Heveningham Hall, the "grandest Georgian mansion in Suffolk"*

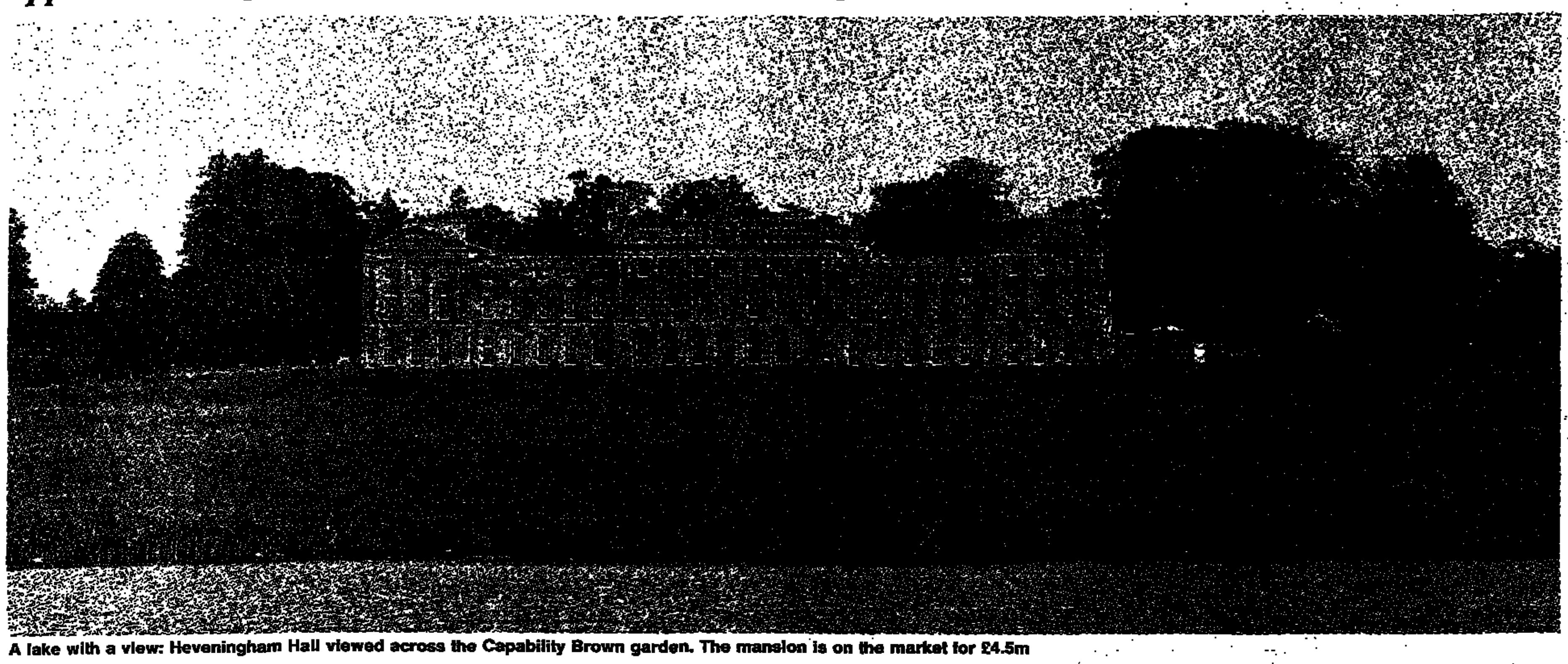
A DISPUTE that had been brewing for more than a decade in a tranquil corner of East Anglia flared this week as one of England's finest houses became the focus of a game of real-life monopoly.

The cause is Heveningham Hall, half way between Ipswich and Norwich, described by the architecture historian Nikolaus Pevsner as "the grandest Georgian mansion in Suffolk". It is owned through default by the United Bank of Kuwait.

Rattling the sabres are local conservation groups and the Suffolk Preservation Trust, encouraged last week by a parliamentary question from Tam Dalyell (Lab. Linlithgow).

The story of Heveningham Hall has become common in recent years: a losing struggle to maintain a family home. The mansion, built in 1777, finally passed to the stewardship of the nation in lieu of death duties in 1970.

For 11 years the estate was administered by the National Trust. In 1981, it was sold for £726,000 to an investment trust headed by an Iraqi businessman, Abdul Amir al-Ghazzi. Al-Ghazzi, untutored in public relations, did not endear himself to the locals. The house was boarded up and the formal gardens, by Capability Brown, ran wild.



A lake with a view: Heveningham Hall viewed across the Capability Brown garden. The mansion is on the market for £4.5m

Rumours of neglect and pilfering spread; a fire in 1984 added to local anger at what was perceived as a case of heritage vandalism; however, those privy to the "goings on" behind the shutters maintain that a large programme of restoration was in progress. The work gobbled money – up to £5m; some believe the debt contributed to al-Ghazzi's death in March last year. The bank then called in the £3m loan and took over the hall.

Now the Grade I mansion is being offered for sale by Savills with Knight Frank and Rutley; the price suggested is £4.5m.

Geoffrey van Cutsem, of Savills, took representatives of the National Trust and the National Heritage Memorial Fund around the mansion. "They probably can't afford to buy it but all were very impressed by the condition of the main rooms," he said. "This is a huge house, nearly 100 yards long; yet when al Ghazzi bought it there were only two bathrooms. Architectural purists may not like the en suite bathrooms he has built in each of the main bedrooms, but the rooms on the *piano nobile* have been restored with immaculate taste.

"It is true there was a fire and, yes, thieves did smash their way in to steal lead and a priceless fireplace; but that was not the fault of al-Ghazzi. Had he invited the local people in to see the work in progress a lot of the rumours and bad feeling would have been avoided."

Heveningham Hall was commissioned in 1777 by Sir Gerard Vanneck, a merchant banker of Dutch descent; the family had political ambition and the estate was close to the "rotten" (or pocket) borough of Dunwich. By the time the house was built Sir Gerard had become the member for Dunwich. Sir Robert Taylor, tutor of John Nash, was commissioned to design the house, keeping the shell of the original Queen Anne house. When the exterior was completed, in about 1780, there was a change of architects, the young James Wyatt took over to complete the interior; it has been described as Wyatt's finest work.

The tunnel-vaulted entrance hall is one of the finest Georgian rooms in the UK. Some further work is needed to complete the restoration; van Cutsem estimates that this will cost about £250,000. "When you consider that this is only about 5 per cent of the value of the property it is not a great deal; most house buyers expect to spend something before they move in," he said.

The hall, its outbuildings and the now tidy gardens are to be opened to the public during July, except on Mondays. Those concerned about its preservation will be able to see the fruits of the late Iraqi's labours.

Castles and great houses are cheap today; just to build Heveningham Hall, were such a task possible, would cost at least three times the asking price – and that excludes the value of outbuildings and the "Capability Brown" estate.

The floor area of the mansion is more than 30,000 sq ft and the cost of rebuilding such a masterpiece would be at least £500 per square foot . . . so you woukd get £15m worth of mansion for your money.

So who is in the market for such houses? Van Cutsem muses: "There are overseas buyers around, from the Pacific Basin (Hong Kong, Singapore and so on), plus some Scandinavians and a few Americans . . . art patrons wanting somewhere to show off their collections.

"Then, there are multinational corporations, who may see the house as the perfect place for business entertaining; then again, there might be some form of heritage solution, whereby the government may give tacit support to some money-raising scheme to keep the house for the nation. It is in good order and there is bound to be some way of producing an income from it, perhaps with corporate hospitality such as that provided by Broadland Property at Hever Castle."

A Name who is trading down

***Michael Hanson** visits a Lloyd's member who is selling his nine-bedroom mansion*

JOHN REW had just returned from Venice, where he and three other members of London Rowing Club took part in the Vogalonga – the three-hour "long row" around the lagoon by 1,500 gondolas and boats. He sat in his elegant drawing room at Thornhill Park, Dorset and recounted how he has been sticking his oar into Lloyd's since 1980.

As publisher of Chatset's annual Lloyd's League Tables, he has been forecasting the present calamity at the insurance giant for some time. Three years ago, he prophesied that "storm cones should be hoisted" over London's Leadenhall Street, and in his annual review this January he wrote: "We are now looking across an abyss of dramatic proportions."

A year ago, Lloyd's declared a net loss of £510m for 1988, made up of a £1bn loss by one-third of the syndicates and a £500m profit by the rest. Rew and his joint editor, Charles Sturge, predict that by the time the results for 1991 are known in 1994, Lloyd's will have lost £3.9bn. Rew further predicts that as many as 6,000 Names at Lloyd's – a third of the members – could be wiped out this year. In many cases, most of their assets are represented by their houses, which will be difficult to realise quickly.

Having said all this, Rew denies that the sale of his own house is necessary to meet his own losses: "Certainly, I've got losses, but I'm not selling the house to pay those. I'm on 35 syndicates, and I do have some sizeable losses, but luckily I changed from giving bank guarantees to depositing securities with Lloyd's, which can be sold."

He bought Thornhill Park, at Stalbridge, near Sturminster Newton in Dorset, shortly after the youngest of his five children was born in 1970. Now that the oldest children have left home and the youngest is about to read law in London, the nine-bedroom house is too large for him and his wife. "We have been thinking of selling the house for a couple of years," he says. "The trouble is finding something to replace it. I would be happy with a boathouse on a river somewhere, but I think we need something larger than that."

Rew comes from a long line of oarsmen: his grandfather rowed at Henley in 1860; his father rowed in the 1924 Olympics and his uncle rowed in the 1928 Olympics. He took up rowing again in 1987, after a break of 25 years, to encourage his three sons to row.

Thornhill Park was used as a setting for the film Far from the Madding Crowd. It stands on a knoll with panoramic views over the Blackmore Vale to the Dorset Downs. It was the home of Sir James Thornhill (1675-1734), the artist who decorated the dome of St Paul's Cathedral, the Painted Hall at Greenwich Hospital and many of the saloons and staircases in the great mansions of his day. By 1725, he had made enough money to buy back the Dorset family estate that his father's extravagance had frittered away before he was born. Here he built the present house, which though less grand than some of the other country houses he designed, such as Moor Park, Hertfordshire (now a golf clubhouse), is still a fine Palladian building, listed Grade II* for its architectural and historic interest. He also designed the obelisk in the park to mark the accession of George II in 1727 (and not, as the agents suggest, that monarch's marriage to Queen Caroline, which took place in 1705, when they were still living in Hanover).

Over the past 20 years, the Rews have restored most of the house to its original glory, especially the magnificent saloon on the first floor that Thornhill used as his studio and gallery, but parts of the house are still unrestored. It is for sale with 185 acres, including an entrance lodge and a cottage, garages, stables, a squash court and a swimming pool. Offers over £1m are being sought by the London and Sherborne offices of Knight Frank and Rutley (071-629-8171 or 0935-812236) acting jointly with Symonds and Sampson of Dorchester (0305-264172).

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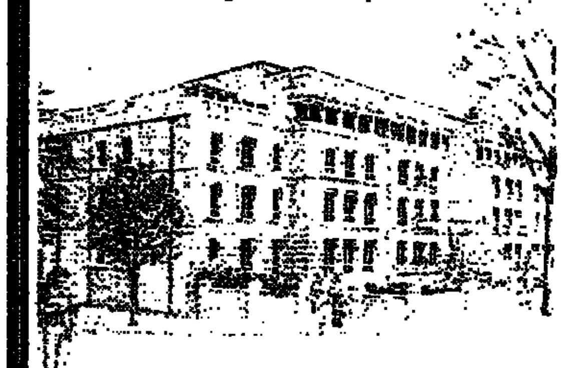

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A leaf from the BR songbook

TODAY and tomorrow is the grand finale of the Hampton Court Flower Show. Exhibitors have continued to multiply in ever more marquees and the occasion has the same strength as last year's show, its coming of age.

Do not expect a second Chelsea: none of the exhibits aims or arrives at quite the same magnificence. The great distinction of this show is that it gives you a better chance to view and shop on the spot.

Dozens of smaller exhibitors who do not come to Chelsea bring their stock for display and disposal. Shopping is continuous and, once again, I have returned with plastic bags filled with plants which I could not bear to miss, although I did not set out wanting them in the first place.

Peach-coloured Alonsoa and the pale yellow variety of Potentilla Recta are not options which float into the grasp of keen plant finders every day of the week.

There is one fact which may make you hesitate before setting out to join the fray: last year, 458,000 people descended on the site.

When the public is swarming, it is hard to remain consistent: last year, I tried to arrive by car, warned you strongly against the inevitable jams but ended by buying so much that I also advised you to pack it all into the car boot.

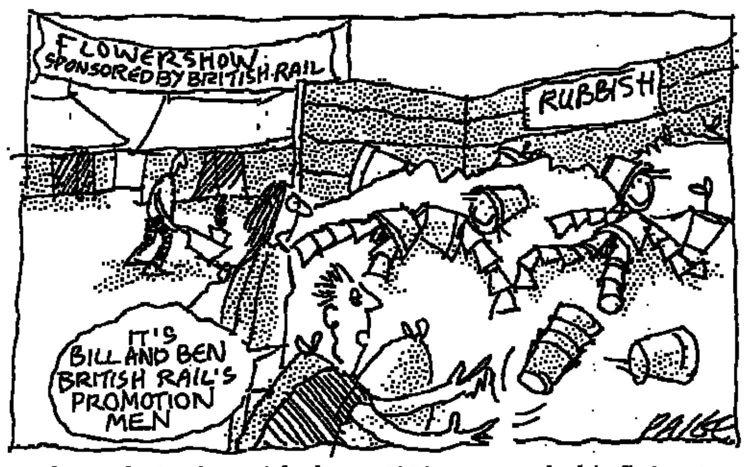
This year, the jams have arguably been worse. The occasion, however, has a major sponsor: BR's Network South East. Its friendly spokesperson encouraged me to use the sponsor's facilities and enjoy the preview on Wednesday on a direct line from Waterloo. "Frankly," she confided, "we see this occasion as something of a PR showcase."

The thousands who have already been trapped this year in BR Showcases would probably have known better. On the spokesperson's advice, I opted for the "easy 10-minute hop" from Clapham Junction down to Waterloo.

For unexplained reasons, the connecting link to the showcase ground to a halt just outside walking distance to Waterloo, sat for 35 minutes and missed the Sponsor's Special Press Show Train, scheduled for 10.34.

It was hard to be entirely certain at first that the connecting link was as late as it seemed because the big clocks at Waterloo had stopped for the morning. Something, it emerged, must have forewarned them.

A heart attack down the line at Malvern was reported to have delayed the Special Press Train by



nearly 10 minutes, but not for long enough to sit all the Press into the Showcase.

Latecomers, therefore, were advised to catch the 10.54 to Hampton Court, which turned out to be even more difficult because the only 10.54 was a Silver City Special Departure which left superbly on time, refusing to accept any fee-paying passengers.

Back on Platform 4, the BR staff awaiting the ordinary gardener's 10.54 were surprised to find a 10.45 to Guildford which was not going anywhere. On questioning, they remarked that the root of the trouble was Rain On The Points (the ROP hazard).

By now, several hundred garden visitors had also joined the clamour for the showcase with a feeling that they were being ROP'ed off.

Loudspeaker announcements at Waterloo are not intelligible to passengers who cannot decode echoes, but we were asured that problems with points and signals were making delays inevitable.

It could happen to any of us; but it had not happened to the Special Press Train or the Silver City Special which had both left on time for exactly our destination.

Remarkable aggression now seethed among my fellow Showcases, most of whom had paid a cool £18 for their show ticket and a price ranging from £3.20 for the remaining part of BR's journey.

After 45 minutes the Showcase arrived, sat around and eventually crept forward. Almost everyone on it was bound for Hampton Court, as promised, but the itinerary involved stops at each intervening station. It was understandable, but not well-advised, that the first announcement to the passengers on board was a routine call to ensure we were on the right train.

The second, shortly afterwards, was even less fortunate. On the left hand side, we were told, we could now see BR's engineers working hard to put right the trouble with points and signalling which had delayed anyone who was not travelling on an important freebie.

At about 30 mph, coachloads of jeering gardeners enjoyed a long hard look at one BR workperson in an orange, fluorescent anorak who was scraping at the loose shingle on a nearby line. Soapwort on the sleepers, I suppose, said one of my neighbours.

After 12.30, we were finally put down with two alternatives: a long walk to the show entrance, or a further long queue for a 70p boat ride to the entrance. I chose the boat ride, reflecting that those who non-journalists were paying, on Wednesday, £18 for the ticket, at least £3.20 for the train and £1.40 for the boat.

I must emphasise that the special quality of Hampton Court Show is the volume of good plants, pots and extras on sale from tradesmen who are being charged next to nothing to display it and are hoping for us to buy them out. I did just feel that an arrival fee of £15-£22 is a bit steep for entry to a glorified garden trade fair.

What about the Citizen's Charter as a refuge for gardeners who want to let off lost steam? We asked for forms at Hampton Court but the friendly ticketperson was not at all sure he had any. Charter Refunds seem to apply to season tickets and big block buyers, not to gardeners with a Showcase Single.

At best, they may hope for a 20 per cent refund in a voucher for another journey on the same network. None of my many interviewees was willing to volunteer for the risk of such a refund and the risk of use of Charter Credit.

John Nelson, managing director of Network South East, asked all members of the press to "remember if you come by train you avoid the stresses of driving and the difficulties of trying to park the car."

How true, how very true, but as I prepared for the Showtrip home, a certain darkness of mood did descend as yet more rain fell on points and the joy went out of the last 30 minutes among lovely Princess Alstoemias and the rare plants on sale from Green Farm Nursery.

Next year, I suggest that show sponsorship is handed to a privatised network of individual power boat drivers who can deliver passengers direct to Hampton Court jetty.

Otherwise, I will devise my own timetable and travel the last two miles on my reliable horse. After all, it costs nothing to exhibit inside the tent. I could set up a stall selling animal manure.

Robin Lane Fox

Close encounters with top-class growers

CONTEMPLATING the features of my colleague, Robin Lane Fox, swollen with rage after his rail journey, I was glad of my decision to parachute into Hampton Court Flower Show. Europe's largest flower show is a daunting prospect, even if it is laid out much more spaciously than Chelsea.

The non-gardener might conceivably have a better time at Chelsea's eclectic rival. There is a vast craft village populated with people selling such mysterious items as Sugán kitchen chairs made to an ancient Celtic design, and Karom boards. Husband and wife teams sell personalised copies of their novels and pressed steel sculptures of "mystic warriors".

If, however, it is plants and nurserymen you want to see, there are eight floral marquees crammed with vendors, eager to sell – and talk. Maybe the exhibitors in May were just too hot this year to relish a grilling, but this year, for once, I left Chelsea feeling rather starved of the kind of close contact with top-class growers which makes the show more than just a spectacle.

Under Royal Horticultural Society rules, Chelsea exhibitors must wear jackets and ties. At Hampton Court, anything goes. As the well-dressed David Pickard, of Meadowcroft Fuschias in Cambridgeshire said: "Chelsea is the gentleman's event." I celebrated the freedom to buy on-the-spot with two of Pickard's ivy-leaved geraniums, the variegated-leaf L'Elégant and Barbe-Bleu, a fabulous dark cherry-red which should be more widely-grown (ring 0487-823333).

In the marquee given over to the National Council for the Conservation of Plants and Gardens, I had my first deep discussion at the Norfolk Lavender stand (0485-70384). Munstead and Hidcote are the lavenders everyone knows, and every one sells. But are they really the right foil for old roses, or is the purple just too eye-catching?

Now I think I have the answer in Sawyers, new last year when it was introduced by Norfolk Lavender. The flowers are spear-shaped and a paler shade of blue, without being dull. Sawyers grows to 27in, has a long flowering season and it is as hardy as any lavender can be. Its leaf is a good grey and bare-rooted stock costs £2.20.

Anyone who has wasted money on foxtail lilies, eremurus, will appreciate my envy at Rupert Bowlby's prize-winning stand (0737-642221). How is one to achieve, year after year, those gorgeous June-flowering spikes in shades of yellow, orange, and apricot?

Best to play safe, was the advice, and look not at the hybrids but at the earlier flowering E. himalaicus, which is white, and robustus, pink and flowering in June. Apparently, they are one of the lesser-known delights of travelling from Samarkand to the Himalayas and as that would imply, they are happy to be baked in summer and frozen all winter. They even relish heavy clay.

With a large budget, one might be tempted by Bowlby's new introduction, Allium "Beau Regarde". It is probably a cross between christophii and giganteum, and it looks almost alarming hefty, with heads a full 6in across. The price is equally hefty, £18 a bulb. Wait a few years, and this bloated onion should eventually be ours for just a few pounds.

Still thinking about expensive but troublesome bulbs, I had bearded two helpful Dutchmen from the combined Warmenhoven and de Groot stand (20, Purbrock Avenue, Watford, WD2 6AD). Amaryllis (hippeastrums, properly) and crown imperials are not foolproof, but they are exquisite, especially the former which are appearing in ever more delicious shades.

With hippeastrums, the answer is to choose a pot size only 20 per cent larger than the bulb, and to plant them half under the soil, immediately they arrive in September or October – no later. Then give them a frequent meal of Phostrogen and expect, in almost every case, two stems with six flowers. Could I economise and hope to enjoy the same display another year? Possibly, is the answer, but only at the price of remembering to feed weekly for seven months. Life is perhaps too short.

As for that other show-stopper, Crown Imperial, their short lives are nine times out of ten, due to the ravages of slugs. Rats, they always say, are put off by the foxy smell but slugs like nothing better.

My helpful Dutchman told me that the answer was plenty of sand around the bulb to deter the beasts, although the soil must be good and rich.

So does Hampton Court or any flower show justify its entry fee? Ask shrewdly, and, in my opinion, it should.

Patricia Morison

Colin Beere

If it is plants and nurserymen you want to see, there are eight floral marquees crammed with exhibits at Hampton Court flower show

Pedalling to the barricades

***Nicholas Woodsworth** got on his bike to search for French truckers*

I HAVE an ancient black Post Office bike with rattling mud guards and a front wheel that wobbles just slightly out of true - just the thing it was suggested, to get me from one French truckers' roadblock to another.

"Take a beret and string of onions," they told me; "Best way to fit in with the locals. Off you go." So off I went.

Up early, an energetic pedal through West End traffic, and a frantic search at Charing Cross for the brake van on the 7:55 to Dover Priory. An even more frantic changing of brake vans at Ashford where the train splits in two. A rattling whizz down the hill under the battlements of Dover Castle, a quick bowl along under the white cliffs, and a charge across the acres of open tarmac at the P & O ferry dock. By the time the "Pride of Calais" pulled away from the quay at 10:30 I was watching Tweetie Bird outwit Sylvester in the B Deck cinema and my bicycle was safely in the hold.

There is always a difference between a distant overview of a crisis and being in the thick of it. Close up, most things are invariably confused.

The woman in the tourist office Portakabin near the unloading ramp was pleasant and over-excited. This was her Sarajevo – she believed the truckers were trying to starve out Calais. Together we pored over a complimentary ink-stained photocopy of the area. Cars could get through, but Calais was surrounded and no goods could get in or out by road, she told me.

"*Les blockages sont la, la, la et la*", she said decisively, making heavy X marks with her pen on what I took to be autoroutes and interchanges. The map was so tiny and smudged I could not be sure.

Despite all the Xs, it took me hours to find a road-block. Dressed in a leather jacket and puffing under a warm sun I toiled along the roads, through public housing estates on the edge of town and out towards the highways and autoroute ramps. I cycled a mile up the Boulogne road, got side-tracked on the road to Saint-Omer and lost myself on flyovers.

Not even the beefy pastis-drinkers in the Petit Prince, a routier's cafe on the Dunkirk road knew where the road-blocks were. "But we are strong; we shall never be crushed," they affirmed through the smokey blue air, and ordered another round.

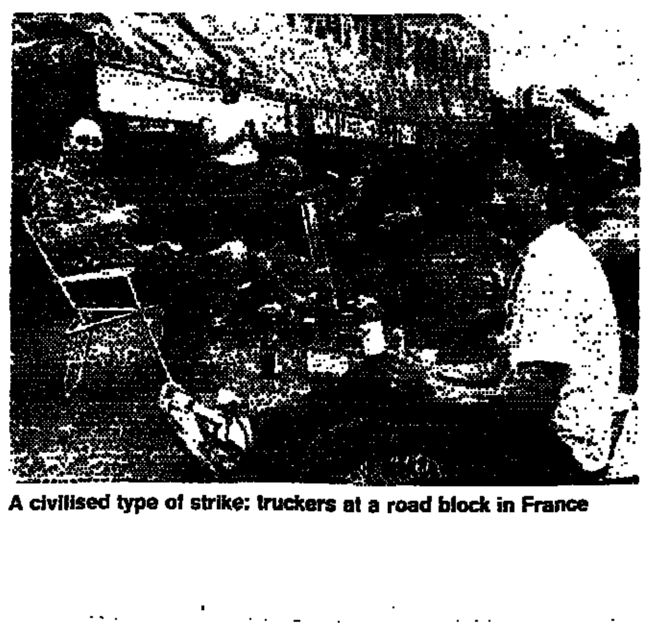
Finally, some distance from town I ran across a large road-block. Scores of trucks lay slewed across exits on an interchange, large knots of men stood gesticulating beside them. But the gesticulation turned out to be truckers waving cars through. Polite French lorry drivers were giving road directions to smiling holiday motorists. Where were fraying tempers, the angry mobs? Where were the tanks?

"We do not want tanks," Olivier Ledoux told me, "we do not want trouble at all."

Olivier, a gentle-looking soul, had long red hair and a Guns 'n Roses T-shirt. The 60-foot semi-articulated lorry which he drives sat across the road, but the militant image was spoiled by his girlfriend. She had ridden out of Calais to keep him company and, sitting on her Mobylette seat, leant Lolita-like against the side of the cab insouciantly popping bubbles with her chewing gum.

Between bubbles she eyed me and my bicycle with a doubtful frown, an are-you-really-a-journalist look that I was fast getting used to. Forget berets and strings of onions; nobody, but nobody, in Calais rides a bike like mine. Anyone who cycles around here is nattily turned out like a Tour-de-France champion.

From that point in the afternoon onwards my burning-tyres and flying-brickbats story, like my power to pedal, slowly grew weaker and weaker. Olivier and I sat around talking about music and listening to his CB radio. Nothing was happening.



A civilised type of strike: truckers at a road block in France

When a CB report came through that a lone, frustrated Belgian driver was blocking a street in the centre of Calais I pedalled off into town at top speed. Half an hour later I arrived red-faced and dripping to find the incident over. At the city police commissariat I asked for a briefing, and was told Divisional Inspector Verdin was out at the Victor Hugo roadblock. I raced back there to find him gone.

Olivier told me there were four British lorries and drivers stranded some way up the A-26. Off I pedaled again. Was this my story at last? After listening for 15 minutes to Arthur from Huddersfield debating with Reg from Cowley whether the bloody Frogs were in bloody NATO or not, I decided it probably was not.

Back I raced into town to meet Henri Ravisse, president of the Chamber of Commerce. Perhaps there was an economic angle that was escaping me. M. Ravisse was out. And so the day went – the last time I wobbled out to the roadblock I was feeling distinctly cheesed off with the miracle of bicycle communication.

What made it worse was that I kept on passing all those roadside things that make France such a wonderful summertime place – seafood restaurants displaying mouthwatering menus, delightful patisserie windows, sunny sidewalk cafes full of smiling girls. I longed for a flat tire.

By 6.30pm it was all over – the unions had called off the roadblock around Calais and across the country the protest was winding down. Olivier was upset. Once again, he said, the worker's bosses been bought off by the state. But he was not half as upset as I.

Against a stiff wind I pedalled like crazy to catch the ferry and the last train back to London. I hadn't even the time to pick up a beret.

Fishing

Friend of the humblest angler

The writings of Hugh Tempest Sheringham occupy a special place in Tom Fort's library

A LITTLE over a quarter of a century ago my eyes were first opened to the possibility that there might be more to fishing than catching or, commonly in my own distressing case, failing to catch fish. One of my elder brothers and I, browsing in a secondhand bookshop in Reading, came upon a case of books on angling. We were passionate fishermen, but of a severely non spiritual kind.

Among the books we bought was one bound in faded red cloth. Its spine was decorated with two crossed fishing rods, between which were a net and a fat basket with lid raised to display something resembling a chub or carp. It cost two-and-sixpence, and was called *An Open Creel*. The author's name was H.T. Sheringham.

I read it straight through, with a swiftly swelling sense of wonder and delight. Even now, I can recall the condition of hilarity to which I was reduced by the chapter entitled A Day of Tribulation, in which Sheringham describes a succession of calamities which overtook him during a day's wet fly fishing, presumably on the Exe.

I was, at that time, making my own first, cack-handed attempts to educate myself in the use of a fly rod. It was a great solace to find the despair which overwhelmed me as I sought to deliver my flies in the teeth of gales mirrored in this light-footed but deeply felt prose. Just as I had railed against Providence, so Sheringham – having left his cast in a bush over deep water – sat down to contrast his misfortunes with those of Job. A little while later came the loss of the big fish on which his heart was set, leaving me to my thoughts of Job and his exaggerated griefs.

Having devoured *An Open Creel*, my brothers and I (for a third also became a devotee) rushed back to the shop in Reading, and snapped up Elements of *Angling* (first published in 1908) and *Coarse Fishing* (1912). These led to *Trout Fishing: Memories and Morals* and to *An Angler's Hours*. These books were the foundation of a collection which now amounts to almost 600.

I cherish them all, even the ones I have never got round to reading. And there are writers to whom I return again and again: J.W. Hills, Zane Grey, Roderick Haig-Brown, BB, G.D. Luard, Frank Barker, F.A. Mitchell-Hedges, Richard Walker, Chris Yates, Negley Farson, Stephen Johnson, Arthur Ransome, Harry Plunket Greene. All I regard as friends, and all I admire for the way they brought the sport to life. Yet I have never changed the opinion I must have formed in those early days: that Hugh Tempest Sheringham was the finest of them all.

He was brought up in Tewkesbury, where his father was vicar. The flavour of his childhood, and the dawning of the passion for rivers, are exquisitely captured in the opening chapter of *An Open Creel*, Waters Of Youth. The affection for the chub – whether caught on worm or cheese or, best of all, fly – was born on the Severn and Avon and their tributaries, and was never to leave him. While his grandfather, the stern archdeacon, endeavoured to bend him to the discipline of Latin verse, the boy's imagination ran on water meadows, the play of sunlight on moving water, the tantalising mysteries of the depths beneath the hanging branches of willows.

In 1903 Sheringham – who had been a classical scholar at Cambridge – became angling editor of the Field; a job he held until his early death 27 years later. Had he gone into the Church, or to the British Museum – which was his ambition – he might well have joined the great throng of us whose immortal masterpieces remain locked in our heads.

He produced a mass of writing which made him among the most cherished and respected authorities on fishing of his day. When he died he was mourned by the good and the great, and the not so great. As his friend, John Moore, wrote: It was chiefly the humbler angler that he loved, and by whom he was loved in return.

For Sheringham was a curiosity, a socialist fisherman. Although he relished his days on the Itchen, Test and Kennet, he always fished them as a guest. The sort of club he cared to belong to was the one he celebrated in A Suburban Fishery, in *An Angler's Hours*, where a man might stalk a trout or two, then cast a fly for chub, and finish his day watching his float circle a shaded eddy in the hope that the perch or roach might bite.

It was in his passion for coarse fishing that Sheringham's democratic instincts are most apparent. Yet his enthusiasm was almost heretical. The gods of the age – such as Halford – did not demean themselves by considering the ways of chub. Only the salmon in his Scottish torrent, and the noble trout of the chalkstream, were considered worthy of a gentleman's time and study. Sheringham's partiality for floats and spinners, worms and cheese, an 18 foot rod and a Nottingham-style centrepin reel, made him an object of curiosity and ridicule among his friends.

Sheringham loved rivers like the lower Kennet, the Colne and the Evenlode, where democracy reigned and the fish which rose to his fly was as likely to be a chub or a dace as a trout. As for salmon, he caught his share, mainly from the Welsh Dee and the Coquet in Northumberland. But he maintained an air of lofty indifference to the celebrated, exclusive rivers of Scotland, and appeared to believe that those who fished them, and nowhere else, were not truly to be counted of the brotherhood.

As a writer, Sheringham's voice came as a fresh breeze, dispersing tired old conventions. His manner is wise and humorous, his style delicious in its elegance and wit. But the best of him is that he speaks of fishing as other fishermen find it, of rare triumphs and frequent reverses. He subscribes wholeheartedly to the axiom that it is better to catch fish than not to do so - but knows well eno ugh that, for ordinary folk, success in fishing as in other matters can never easily be won.

An Angler For All Seasons, a Sheringham anthology, introduced by Tom Fort, is published on July 23 by Merlin Unwin, £16.95.

Cricket/**Teresa McLean**

Exquisite Gower turns off the power

AS WITH cricket, so with tennis. First everyone welcomes the dawn of a new era – power play. In cricket the West Indian fast bowlers of the 60s, such as the thunderous Wes Hall, made pure pace the dominant force in the game. While the serve and volley tennis players were blasting back line tennis off the courts.

A generation later, there are rallies in tennis, but no beautiful batting or subtle bowling in cricket. All is hard and fast, at the expense of the skilful. Hence the rapture among English cricket fans as there seems to be a renaissance of touch play in Test matches. We are overdue for one. Graham Gooch has never made a secret of the fact that he thinks batsmen are there to score runs. The method is unimportant; the number is vital. Anyone privileged to see his unbeaten 154 at Headingley last summer, fought out through seven hours of rain-soaked determination, to win the first Test against the West Indies, will understand the power of his argument.

Runs are crucial. Lovers of stylish batting would merely point out that, under pressure, style can be as good as brute force at scoring runs. Witness David Gower's gracious 73 in last week's Old Trafford Test, scored in the heat of battle, with light touch and exquisite timing.

Gooch is a believer in work, sweat and training as the tools of success and much has been made of the idea that he does not like the devil-may-care element in Gower's cricket. Gower's flight over Queensland's Carrara Ground, in a 1938 Tiger-Moth, on England's ill-fated, ill-tempered tour of Australia in the winter of 1990-91, brought him grim disapproval from Gooch and the tour's officials. Little was made of the fact that Gower hit two consecutive Test centuries in tough matches and his tour average was 45, second only to Gooch's 53.

It is significant that it is to Gower that the English captain and selectors have turned in their hour of need, with England's batting stale and unconvincing. Not only does this move admit that style can be strong, but it may also help to take away some of the mythology which tends to make people suspicious of stylish cricket.

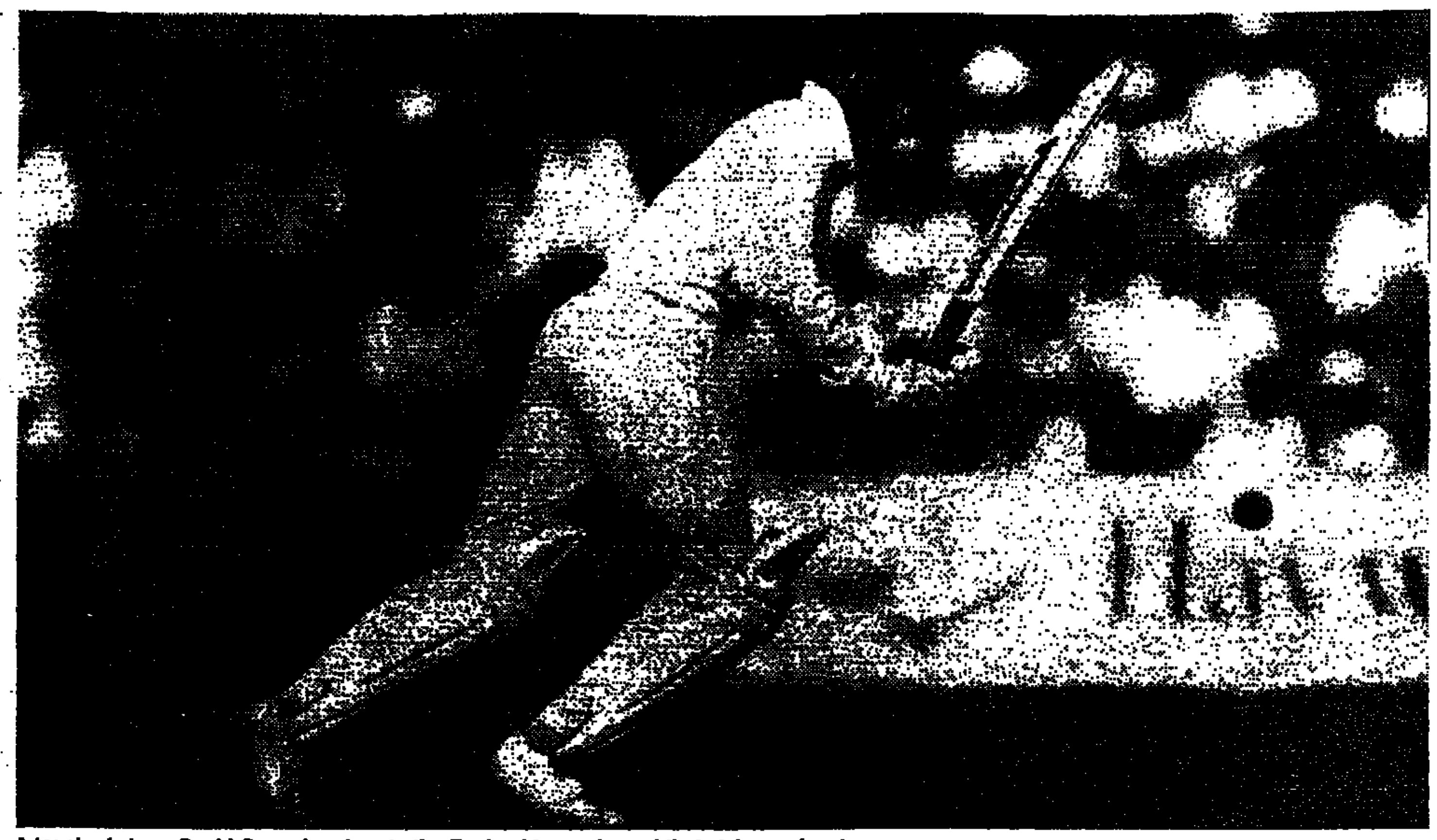
Gower is a rare phenomenon. Salim Malik, the Pakistan vice-captain, is a more typical stylish batsman, who also uses fire and muscle. His repertoire includes hard-hit swings, cuts and chops, as well as his elegant shots off the front foot.

Alec Stewart bats with an air of defiance, a refusal to feel the bruises, which often draws attention away from the handsome character of his strokes. Just because he carried his bat (69 not out) heroically through the collapse and chaos at Lord's, as England's second innings was destroyed by Waqar Younis and Wasim Akram, does not mean that he did so stolidly. His footwork was fast and many of his shots, especially off his legs, deliciously deft.

Watching Stewart deal with Pakistan's lethal bowling was delightful in the same way that watching Waqar deliver his lethal bowling, with sudden, fierce swings and movements of the ball, was delightful. It was fascinating and satisfying. Waqar's is fast bowling with class, too quickly gone for easy wallowing in its delights.

Wasim, though bowling wonderfully well at Lord's, has a less mysterious technique and his appeal is simpler, at its searing best with stumps spinning through the air. English crowds seldom see that kind of bowling. The scurvy of our game is medium pace. Effective though it can be at times, it is not inspiring. Nor would it seek to be; it wears its victims down, batsmen and spectators alike. We are plagued with medium pace bowling in all its prosaic abundance.

Small wonder that stylish batsmen are few; they have only occasional forays into the subtleties and temptations of slow, flighted, spin bowling to sharpen their wits. It was the more succulent, then, to feast on a weekend of all sorts of


A touch of class: David Gower's return to the England team showed that style can be strong

bowling in the Lord's Test, with spin, swing and speed showing off their respective splendours.

Spin bowling is stylish by nature. It has to be because it is slow and its power lies in bewildering the batsman with the unexpected movement of the ball. If its movements become routine, it is done for. Spin has always been one of the glories of the game in India and Pakistan, where good leg-spin is the supreme bowling achievement.

Mushtaq Ahmed, Pakistan's new young leg-spinner, can be wayward, but he can spin the ball drastically from leg to off. His googly action disguises the deception of spin from off to leg. It is enough to unnerve as experienced a batsman as Robin Smith, brought up on bowling that does not need to be deciphered before it is played. When Mushtaq bowled him in the first Texaco one-day game, Smith had no idea where the ball had gone, even after it had re-arranged his stumps.

In the Lord's Test, it was a fine sight to see Ian Salisbury, the Sussex leg-spinner, still tossing the ball right up to the batsmen and still seeking to turn it at the end of a full day's play, with Pakistani victory impending. He does not spin the ball as much as Mushtaq but he stays on the attack and he stays calm. These are valuable qualities for a spin bowler.

Too much mystique is not a good thing. It can distract the bowler as well as the batsman and the supreme skill of spin bowling is to find the right balance between enigma and aggression, so the batsman never feels safe. Mushtaq and Salisbury are only 22 years old, with plenty to learn about this. As long as they do not give up, however expensive and discouraging the process may be, art and guile stand a good chance of coming into their own again.

Olympic Sailing/**Keith Wheatley**

Modern sailor goes for gold

NO sportsman hates anything more than the "leather medal". Fourth! So near, yet so far that when the anthems play and the photographers surround the rostrum one might as well have been 31st. Finn sailor Stuart Childerley travels to Barcelona having got that particular experience out of his system.

At Seoul he was 22 and the youngest Finn class sailor ever to represent Britain. Fancied for gold he struggled to make fourth. "It was like doing a bellyflop after a series of perfect dives," mused Childerley, just back from Gdansk where he completed his Olympic preparations by taking the class European championship. "It took me a long time to get over it and even longer to make another Olympic commitment."

What makes this solid, powerful young man particularly interesting is that he is almost the prototype of the modern professional sailor. He has done nothing since leaving school but sail, carefully seeking spots on boats that will broaden his experience. Many dinghy sailors rely on technical knowledge of rig and sails but Childerley sees the problems much more in terms of bringing different inputs to a campaign.

Revealingly, when the lavishly-funded Wings of Oracle campaign for the 1991 Admirals Cup began to founder, the panicking sponsor turned to Childerley to skipper a yacht where an RAF crew were mutinying against civilian leadership. The safe choice, would have been someone of Harold Cudmore's generation but Childerley's calm leadership was exemplary. He made few enemies in a situation fraught with anger and thwarted ambition.

Superficially, the Olympics looks a quite different proposition. Childerley is, for a start, sailing in the male single-handed class. The Finn, designed in 1950 for the 1952 Helsinki games, has a large sail area and a relatively heavy hull calling for strength, stamina and plenty of individual

'It was like doing a bellyflop after a series of perfect dives'

determination.

Childerley went to Seoul as he went on the water, virtually a one-man band. "Psychologically all my effort went into qualifying and winning the pre-Olympic regatta," he reflects. "I thought I'd wrapped it all up before I even got to Korea."

When things began to unravel – beginning with the destruction of his masts by a fork-lift truck at the airport – he was short of wise counsel.

"This time I've put together much more of a group of people – a Finn team – with Stuart simply driving the boat. It takes a lot of the pressure off me," Childerley explains. Among the group is veteran sailor John Boyce, an amiable middle-aged mainsheet man who has taken time off from his business to travel to European regattas with Childerley this year.

"Going round Europe with a kitbag can be pretty lonely and John is someone who's technically capable of coaching me and whose company I enjoy," the helmsman commented. Australian sailmaker John Welch plays a similar role in the team, re-cutting and tuning the Finn sails at Childerley's key regattas.

He likens it to the team behind a Formula One car. The spotlight is on the driver but dozens of people beaver away in the background. F1 is hugely expensive and needs massive sponsorship to pay its costs. Childerley is no stranger to that arena either.

His campaign is sponsored by PowerGen and Owners Abroad (the holiday group), with a raft of smaller corporate supporters. So keen is Childerley to support his sponsors that he is paying a PR company to look after their interests. "With so many people trying to grab a piece of the action I feel it's vital to ensure that a sponsor gets a proper return and is as fully-briefed as possible," he commented.

Finn sailing is probably the most physically demanding sport on the water. The helmsman must be strong enough to lean out from the boat and support his weight on thigh and stomach muscles throughout a two-hour race. The low freeboard means that he is waveswept for much of the time.

At the same time he must have a strong tactical grasp of the race going on around him – with no crew to bounce ideas off. Small wonder that most of the top America's Cup and Whitbread race skippers of the past decade have had Finn experience.

Although he is too discreet to say so, it is a reasonable to assume that Childerley's plan is to take the gold medal at Barcelona and use the victory as a platform from which to stand centre-stage in British yachting for the next 20 years.

All the pieces are in place. Now it is up to him. "I've put everything I've learned in the last eight years on this one regatta," he said. "But it's an investment not a gamble."

Golf/**John Hopkins**

Hard but fair

TOM Watson was trying to explain what he thought of Carnoustie as a golf course. Watson pondered and then said he likened the course to an ugly old woman who at least is honest with you. "When you add up your score after your round, she tells you what she thinks of you," he said, smiling that gap-toothed signature grin of his.

What does he think of Muirfield, site of the Open championship that will start on Thursday? "I have good thoughts about Muirfield," Watson said. "I love playing links courses and Muirfield is a links course. In fact, it is one of my favourite courses. What you see is what you get. There is not a weak hole on the course."

It was at Muirfield in 1980 that Watson won his third Open and in 1987, Faldo's year, only a poor fourth round, a 74, stopped him challenging once again for the game's oldest major championship.

The home of the Honourable Company of Edinburgh Golfers, whose 13 articles, written down in 1744 were the first rules of golf, Muirfield is generally held to be the fairest and best of the courses on the Open rota. (Carnoustie, where Watson won his first Open, in 1975, is a sterner test of golf but cannot offer the requisite number of bedrooms for the *caravanserai* that comprises an Open championship). It is laid out on land that has been golfing terrain since the Honourable Gentlemen moved east from Musselburgh in 1891.

Though it lacks the coastal setting of Turnberry, the ruggedness of Royal Birkdale, the deadening weight of history of St Andrews, the universal appeal of Muirfield comes largely from its peaceful setting. To appreciate it stand outside the clubhouse and look around to all points of the compass. To the north sand dunes in the foreground lead the eye on to the Firth of Forth in the middle distance and, beyond, to the faint outlines of Fife. To the east are the gnarled and windblown trees of Archerfield wood and, in the distance, like a gigantic upturned thimble, is the volcanic mound of North Berwick Law.

Archerfield was the setting of *The Pavilion on the Links*, by Robert Louis Stevenson, who wrote: "on summer days the outlook was bright and even gladsome; but at sundown in September, with a high wind and a heavy surf rolling close along the links, the place told of nothing but dead mariners and sea disaster."

To the west towards Edinburgh is Gullane Bay and to the south rolling away endlessly are the rich farmlands of East Lothian. "Muirfield," says Ben Crenshaw, an American golfer with a keen interest golf's history "has no trees, water hazards or dramatic elevation changes. It is hardly picture postcard material. Still, it is probably the most straightforward, honest golf course in the world."

In July 1966, when the club was staging its tenth Open, the most honest golf course in the world presented a terrifying sight. The late Gerald Micklem, then chairman of the championship committee of the Royal & Ancient golf club, ordered the rough to be grown in some places to waist height and the fairways to be narrowed to as little as 20 yards. This was the most ferocious rough ever at an Open. Jack Nicklaus said it looked "like a wide expanse of wheat whipping in the wind". Doug Sanders was reluctant to leave the clubhouse until he was reassured "there ain't no Apaches out there."

There will be no Apaches this week, though I dare say a few who attend the 121st Open will complain of being scalped. Bernard Darwin once wrote, apropos Muirfield, of "curlews hovering over a championship crowd and crying eerily amid a religious silence." There will not be much silence this week. From Greywalls, the Lutyens designed hotel over the wall from the course, to the back tee of the sixth hole, the northernmost point of the course, Muirfield will echo to the sounds of a modern Open, the seventh here since the war.

It has a history of producing the greatest champions – Player, Nicklaus, Trevino were among the predecessors of Watson and Faldo. One hopes the sequence continues and that in eight days' time a truly worthy champion holds up the famous trophy and basks in the acclaim of the crowd. Muirfield deserves no less.

Motoring/**Stuart Marshall**

The fast way across France (for lorries too)

THE GOOD news is that with the opening of the A26 autoroute extension between Chalons-sur-Marne and Troyes on June 30, one can now drive from Calais to the Mediterranean without seeing a single traffic light.

The bad news is that if you tried to do so last week, you would have been stuck in the world's biggest jam, courtesy of anarchic French farmers and lorry drivers.

My wife and I were lucky. Invited to attend the official opening, we drove off Sealink Stena's Invicta at Calais and pointed the Audi 100 tdi east. Two and a half hours and 172 miles (270 kms) later we had parked at Hotel Les Consuls in Reims.

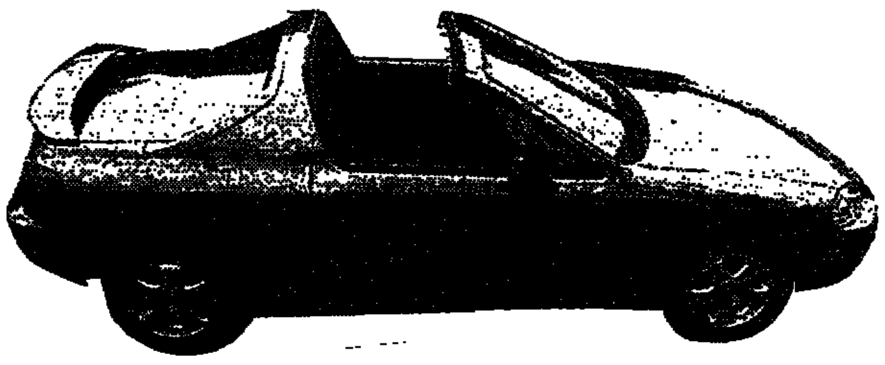
Over dinner at Le Vigneron (a mere two knives and forks in Michelin does it less than justice) Didier Kreig, of Champagne-Ardennes *comité de tourisme*, suggested that we await events in the morning. The opening ceremony was off. With sang froid a stiff upper-lipped Englishman would have been proud of, Didier proposed a drive to Epernay, a helicopter flight over the vineyards and, naturally, lunch.

Later, when we reached the start of the new autoroute just north of Chalons, there was not a single farm tractor or lorry in sight – and virtually no other traffic, either. It was tempting to cruise the ultra long-legged Audi diesel at the 100 mph (161 kmh) and more it was clearly designed for.

The new 47 mile (75 km) section links the A4 autoroute 16 miles (26 kms) south east of Reims with the A5 near Royes. From there it is 93 miles/150 kms to Dijon and another 118 miles/190 kms to Lyon by the A6 via Beaune.

Unlike British motorways, which seem to be open for years before service areas are built, the SANEF company operating the A26 made sure that by June 30 a filling station, shop and restaurant, the Sommesous *aire de service* at half distance, with everything a traveller could need, from showers and a sauna to coin-operated fax machines, were all up and running.

Drivers traveling from Calais to southern or eastern France or to Switzerland will not have to go near Paris and the dreaded *périphérique* again. Instead, they should try breaking their journey at the ancient city of Troyes. Parking may not be easy, but it is worth a visit.



Joy in a convertible

HONDA'S latest CRX is quite unlike the energetic little buzz-box of a Civic-derived coupé it replaces. A two-seat convertible, it has a hard top that lifts off in one piece and slots into the boot lid.

There are two versions, both powered by 1.6 litre VTEC engines from the Civic. The 125 horsepower CRX ESi, with 5-speed manual or 4-speed automatic, has the acceleration of a 2-litre car, rides comfortably and handles with precision. Topless in the sun on the switchback roads of the Border country of Scotland, its nimbleness made it pure joy to drive.

With the power-operated rear window retracted, wind noise and buffetting were minimal. The boot is big; roomy enough for the CRX to be used as a holiday touring car, not just as a stylish runabout.

The CRX VTi *(pictured)*, with 160 horsepower – a hard-to-believe output from a naturally aspirated 1.6 litre – felt even more vigorous than the ESi. But it would not be my choice. Lower geared for fiercer acceleration it was fussier, harder riding and less refined.

Prices are attractive; £14,950 for the ESi, £16,450 for the VTi. Honda says that as the CRX comes off the same assembly line as the Civic, it can be built to the highest standards at a lower cost than low volume sporting two-seaters.

The hood is easily lifted off but Honda plans to offer a powered version later this year. At the touch of a button twin arms rise from the boot, lift off the roof, stow it under the boot lid and then sink back out of sight. James Bond would have approved.

S M

BOOKS

Weaving a subtle web across Latin America

Anthony Curtis** enjoys a posthumous novel by **Manuel Puig

THE Argentinian writer Manuel Puig died aged 58 in Mexico in 1990. His band of British admirers will welcome this posthumous publication of a novel that shows Puig's gifts remaining to the last at full strength. For newcomers Puig offers a convenient point of entry into the exciting world of contemporary Latin American fiction. But be warned. Puig's novels contain as much aggression, abuse of women, blood and tears as you will find in his better-known Latin American colleagues, Marquez, Vargas Llosa and the rest. The difference is that in Puig violence of content is mitigated by conciseness, ironic humour and a strict Aristotelian sense of form.

Puig's favourite trick is his use of reported conversation, diary extracts, newspaper clippings and other forms of documentation to turn the reader into an investigator who has to make sense of events never seen directly. As in crime fiction, and science fiction, whose techniques Puig uses for his own purposes of penetrating complex motivation, the full significance of what happens often emerges only when crucial events have been described over and over again.

Puig takes Latin America as a whole for his canvas. His characters shuttle freely throughout the region. Many live in the great cities, Buenos Aires, Sao Paolo, Rio, Mexico City; others inhabit the small towns and villages in tightly-knit communities where poverty is rife. His novels embrace all creeds, classes, ethnic strains, Indian, Spanish, Portuguese. The heroine of *Pubis Angelical* (1986) is an international beauty and film star, the hero of *Blood of Requited Love* (1982) is an electrical construction worker. Puig's acute ear picks up rhythms and cadences of speech at various levels of society, from the most affluent to the most indigent, and converts them into revelatory patterns of dialogue.

The international scope of his fiction was a spin-off from his career. He was born in 1932 in a small town in Argentina. He read philosophy at the University of Buenos Aires and in 1956 he won a scholarship to study film direction in Rome at the Cinecitta. He worked in films in Rome as an assistant director until 1962. Then he emerged as a writer with a string of "icily brilliant" novels – in the words of one critic – such as *Betrayed by Rita Hayworth*, *Heartbreak Tango*, and *The Kiss of the Spider Woman*. Most of them are available here in translation in Faber paperback editions and some have been used as the basis for films and for scenarios performed by fringe theatre and dance groups.

TROPICAL NIGHT FALLING
by Manual Puig
Faber £13.99, 188 pages

The posthumous *Tropical Night Falling*, well translated by Suzanne Jill Levine, shows Puig at his most adroit and entertaining. It is a sharp social comedy of contemporary life with wry, sad undertones. The protagonists are two Argentinian sisters, Nidia and Lici, both in their early 80s. Lici lives in exile in Rio and Nidia is staying with her after the death of her daughter. They are part of a sizeable Argentinian colony in Brazil, many of whose members are refugees from previous regimes back home.

Neither sister is yet senile, and they are both avid consumers of gossip. Their great source is Lici's neighbour Silvia, a younger compatriot of theirs and a psychotherapist. "She left Argentina during the era of Isabelita" says Lici, "and the Triple A when they had that campaign accusing all psychoanalysts of being left wing". Silvia has a husband from whom she is divorced and is in the process of acquiring a lover whom she met during a spell in hospital.

If the progress of Silvia's extraordinary amour, vigorously enjoyed during a psychoanalytic conference on a small holiday island off the Brazilian coast, appears to be – somewhat in the manner of David Lodge – the main subject of the novel, this is a typical Puig feint. It is the sisters themselves whose lives come more and more to engage the reader's attention, their remarkable, continuing vitality, although they are very old, immobile and isolated.

That vitality becomes even more apparent in Nidia after Puig plays his trump card – the sudden death of Lici on a visit to her son in Lucerne. Nidia hires a teenage girl to look after her at night. Into Nidia's prosperous bourgeois world enters this creature whose life is lived at bare subsistence level. With the girl's appearance a gentle comedy of old age is finally and decisively shattered by the bloodshed and mayhem that is always waiting to break out of the hidden depths of a society that, on its calm surface, so closely resembles our own.

Streetlamps on the road to progress

***A C Grayling** welcomes a new study on the role of universities*

This spring all three senior officers of Yale University – President, Provost and Dean – resigned because of the financial and political pressures put upon them; in a separate crisis the President of Columbia University has done likewise. These great academic institutions represent only the most visible examples of the troubled state of American higher education.

The stresses are equally serious in British universities. During the last dozen years the government has cut resources and simultaneously pressed universities to increase student numbers. Inevitably, standards are falling. The relabelling of polytechnics as universities is a symptom of the change: higher education is becoming factory-like, with volume and throughput as governing concepts and the minimising of unit-costs as the aim.

We live in the Age of Accountancy, and ledgers determine agenda: universities are being pressed to cut staff, squeeze larger numbers of students into crumbling campuses, reduce library budgets, make university terms longer and degree courses shorter. What can be expected from this? Something utterly different from the vanishing ideal of a higher education; and something far less good.

The hard-headed will ask, so what? Money is not in limitless supply; why should society not get value for its money in universities as elsewhere? Why not indeed. But what value should we get? This is the question that Jaroslav Pelikan sets out to answer.

His excellent book could not be more timely. Pelikan, a distinguished scholar and university administrator, has as its aim a fresh assessment of the role and value of the university in society. His conclusions are extraordinarily important because of the presures on universities on both sides of the Atlantic from left and right alike.

His discussion takes the form of a meditation on John Henry Newman's *The Idea of a University Defined and Illustrated*, originally presented as lectures in the 1850s when Newman was setting up the Catholic University of Dublin as its first Rector. Utilitarians had argued that the value of knowledge resides in its use as a means to such ends as controlling nature and creating wealth.

Newman asserted that knowledge is an end in itself, worth pursuing and having for its own sake; and that the university is the home of this disinterested quest.

Pelikan agrees, and adds that treating knowledge as an intrinsic value must be understood in a wider context of intellectual virtues. These include freedom of enquiry; intellectual integrity; good-mannered debate; tolerance of differing opinions; rationality as a supreme value; and preparedness to submit the conclusions of enquiry to public assessment. The object is not to impose or defend given ideologies or moralities, but to strive, with utmost respect for truth, towards increased understanding of humanity and the world.

It is obvious that the pursuit of knowledge on these terms is an intrinsic good. When one adds the instrumental good – the fact that enquiry yields a host of scientific, social and cultural benefits and produces trained minds and professional skills to serve the community – it is obvious likewise that the pursuit of knowledge is an absolute good. But the setting in which enquiry occurs is all-important. Universities provide that setting because they uniquely combine four activities: research, teaching, collecting the materials of scholarship, and publishing the outcomes. If any one of these mutually necessary activities ceases, the others are immediately impoverished and soon nullified.

THE IDEA OF THE UNIVERSITY
by Jaroslav Pelikan
Yale £20, 238 pages

Pelikan argues that universities can only function if all four activities are maintained, and at the best standards. The present crisis in higher education stems from the fact that they, and the conditions of enquiry they sustain, are under threat from financial cuts, from internal and external political hostility, and because the wider public no longer understands the importance of having universities.

Pelikan is neither star-struck nor a special pleader. He is swift with the lash when universities deserve it. Universities and dons can, and sometimes have, let themselves and society down. But the contribution they make is not a luxury. Without having in its midst a continuing search for knowledge and understanding, conducted in freedom and with vigour to the highest standards of excellence – and producing successive generations of reflective, knowledgeable, literate minds – a society is dead.

By reconsidering Newman's views Pelikan gives a thoughtful, eloquent restatement of the university ideal, reminding us at this crucial moment in the history of higher education that to cut facilities and standards in the universities is to switch out the streetlamps on the road to progress.

English under the kilt?

***Michael Glover** on an anthology of Scottish verse*

THERE IS a problem about Scotland, Scots and Scottishness – that much is undeniable. Is she a province and her culture a provincial adjunct to English culture? Or does she possess her own proud national identity and, along with that, a culture that somehow embodies it? Or is English now the true – in fact, the only – language of Scotland? Is it merely an act of emotional recidivism to claim otherwise; to assert, for example, that Gaelic culture (there are only 80,000 Gaelic speakers in Scotland) could expect even to exist without artificial sustenance ?

As Douglas Dunn makes clear in what must be the longest introduction to an anthology of contemporary poetry for many a year, Scotland and her writers have been wrestling with these sorts of problems since the Act of Union in 1707, but the arguments were brought to a particularly combative head by the great, impassioned debate between Hugh MacDiarmid and Edwin Muir in the 1920s.

Hugh MacDiarmid (he was born C.M. Grieve and the assumption of the MacDiarmid identity was coterminous with his decision to become the official representative of the Scottish Literary Renascence), a man who could be gentleness itself when in private company but a creature upon whom a red mist seemed to descend when he rose to fulminate from a public platform, held that the Scottish psyche needed to be cleansed of all English influence; the way in which Robert Louis Stevenson had expressed the dissimilarity between the two nations – the Scots, he said, were to be known for "a strong Scotch accent of the mind" – was simply not good enough. What was needed, argued MacDiarmid, was a movement that, in building a new national literature, would construct a national identity. And that meant the creation of a new language: Lallans.

Unfortunately, the language that he devised was a wholly artificial one, consisting of obsolete words culled from out-of-print dictionaries that the inhabitants of the Lowlands merely gaped at. Could such a language as this ever hope to underpin even a literary – let alone a political – nationalism? MacDiarmid's philological verve, his linguistic recklessness, his pillaging of dictionaries for the most abstruse gems imaginable, remind us of his American counterpart, Ezra Pound – they share an eccentricity of scholarship which, when let loose in the real world of politics, quickly moved in the direction of a naive and exceedingly dangerous demagoguery.

THE FABER BOOK OF 20th CENTURY SCOTTISH POETRY
edited by Douglas Dunn
Faber £17.50, 424 pages

Edwin Muir, on the other hand, thought English the only authentic language for Scottish poetry; MacDiarmid and others condemned that as lèse-majesté. Their quarrel became a celebrated enmity of the kind all-too-familiar to those who have grown up in a small house such as Scotland is.

The poetry that Dunn himself has chosen to represent the achievements of Scotland in his century gives us, as one might expect, a whole host of equivocal answers to these questions of theory. The voice of poetry itself seems to say: Scotland is neither a nation nor a province. For some it is one, and to another it is the other. And to a third group – those who exist in the naive state of spending their lives staring at plants, animals and other people – the problem seems not to exist at all.

There are, indeed, three languages at work here – Scots, Gaelic and English – and they provide us with a remarkably rich and complicated story. Gaelic has endured and its poetry does, indeed, possess a nostalgia for a remoter and more harsh civilisation than ours. But to deny that the poets writing in it possess authentic voices is akin to denying the authentic thrill of archaeological discovery. Civilisations do co-exist, one upon another; and to see and to feel with our forebears gives back to us something of what we were and are. But Scotland's poetry also has the capacity to be contemporaneous and richly experimental – consider the "Glasgow Sonnets" of Edwin Morgan, for example; and it is also being written in Tom Leonard's Glasgow vernacular, the real speech of genuinely uncouth people.

And if many of these poems sound at times like the lamentations of a rootless people, is it for us – or them – to condemn a finely-crafted piece of work on the grounds of melancholia? We may as well condemn ourselves for being alive.

A feast day procession at the Gelati monastery in Georgia – from All The Russias: The End of an Empire by Sir Fitzroy Maclean (Viking, £25), a study of the many nationalities that made up the Russian, later Soviet, Empire, illustrated with 200 of the traveller-diplomat's photographs.

The case for Africa

THE LINK between mouth rammers and pheromones, the fate of Africa, and why we should care, may not be immediately obvious. Read Thomas Bass's seminal book and find out. It not only gives reasons for not despairing of Africa; it suggests why it is in our self-interest to help a continent in crisis.

Mouth rammers are fish found in Lake Malawi from whom we might learn more about our evolution; their cousins could help eliminate bilharzia, caused by water-borne parasites that debilitate millions in Africa and elsewhere. Pheromones are the molecular words used by insects to communicate. Research into their "language" by a Kenyan institute could make insects our allies rather than adversaries in the battle against crop diseases. It is this combination of information that Africa holds, and the potential that could be unlocked, that makes Thomas Bass's account of seven scientific expeditions into Africa so important.

President Hastings Banda's stewardship of Malawi becomes of more than passing concern when one learns that over-fishing Lake Malawi could threaten "the most serious evolutionary laboratory in the world." Its waters are home to 1,000 species of Cichlidae, a perchlike fish. In the process of evolving, Cichlidae have adopted virtually every form of fish behaviour, "which makes the lake an encyclopaedic text for studying the mechanisms of evolution".

Mouth rammers, members of the Cichlidae family, provide one fascinating example. They are pedophagists: they attack a pregnant female, knock the eggs or fry out of her mouth, and eat them. If this seems an esoteric reason for being concerned that Lake Malawi is being over-fished, then consider the following. Cichlids *may also help in the battle* against bilharzia. Lake Malawi is free of the disease because several species of cyclids eat snails, including the type responsible for spreading the bilharzia parasites.

The fate of Kenya becomes more pressing when one learns about the work of Thomas Odhiambo and his colleagues at Kenya's International Centre of Insect Physiology and Ecology (ICIPE). Pheromones are used for communications between insects; and insects and plants use other signals, known as semiochemicals, to communicate with each other: "If scientists can learn to talk these languages, they should be able to direct insects among plants like boxcars in a switching yard." It is unlikely that the ICIPE, the only research institute in the world devoted exclusively to the study of insects, could survive instability in Kenya.

CAMPING WITH THE PRINCE AND OTHER TALES OF SCIENCE IN AFRICA
by Thomas Bass
Lutterworth Press £15.95, 320 pages

NOMAD: JOURNEYS FROM SAMBURU
by Mary Anne Fitzgerald
Sinclair-Stevenson £16.95, 289 pages

MONROVIA MON AMOUR: A VISIT TO LIBERIA
by Anthony Daniels
John Murray £17.95, 493 pages

And if Mary Anne Fitzgerald is right, the country faces troubled times. But *Nomad*, her account of her travels and travails in and beyond Kenya, is *more than a compassionate*, engrossing account of Africa by one of the continent's most remarkable correspondents. It is the story of resilience in adversity, of how she rebounded after her expulsion from Kenya, home for 22 years, and the insights the experience afforded her.

A white African living in limbo in London, she yearns for her homeland: "I needed the comforting African odour of wood smoke, damp earth and rancid animal fat." The way she comes to terms with this anguish makes *Nomad* into something more than a good book about Africa.

The bleakest view of the continent comes from Anthony Daniels, who wrote an entertaining and pseudonymous indictment of Julius Nyerere's Tanzania (*Filosofa's Republic*, Pickwick Books). Reading his account of his visit to Monrovia in the aftermath of Liberia's horrific civil war is rather like travelling with a knowledgeable but opinionated companion, sometimes thought-provoking, sometimes entertaining, and sometimes so infuriating you wished you were in separate hotels.

His dismissive, three-paragraph treatment of the US role in the tragedy prompted our first row. Washington sustained an evil regime, and then abnegated responsibility when it collapsed, I argued. Realpolitik, he replied, and could not resist lecturing me on liberals who protect Africa from the truth about itself. You do a similar disservice to your reader in your complacent treatment of Washington's record, I replied, getting hot under the collar. But I did not check out of our hotel.

Michael Holman

The rise of Yeltsin the egalitarian

BORIS! Boris! they hailed him in Washington last month. But what sort of a man is he? His image outside Russia is that of a leader at once brave and resolute, tactless and impulsive, the man of the hour in the failed Moscow coup, a touch naive about politics, maybe, but on the personal side a damned good fellow who shares his countrymen's fondness for vodka.

Boris Yeltsin, a political biography by two former Soviet journalists, Vladimir Solovyov and Elena Klepikova (*Weidenfeld & Nicolson*, £18.99) alters this impression in one crucial respect. Yeltsin is portrayed as genuinely egalitarian. As First Secretary in Moscow he assaulted the system of party privileges, shops, cars, dachas. "I cannot take imported miracle drugs knowing that my next-door-neighbour has no aspirin for her child."

Gorbachev's personal style is depicted as the exact opposite of Yeltsin's. In this contrast, it is suggested, lay the roots of their hostility. As Boris' popularity rose, so Mikhail's fell. Yeltsin's speech to the Party Plenum, resigning from the Politburo, was the turning point, the small stone that released the avalanche. It was, an emotional, hesitant speech, not a prepared attack: but it was seen as treason by the comfortable, conformist, above all undemocratic, leadership. "I'll never let you back into politics," warned Gorbachev.

How he came back is the story of this flattering account, part thriller, part political analysis. And there is a lot more to come, no doubt, as (or if) Yeltsin goes on. A useful cross-check on these events is provided by the well-known Russian journalist Vladimir Pozner in Eyewitness (*Hodder & Stoughton*, £12.99). His account, mixing his personal reaction to events, which as a journalist endangered his own position, with an informed perspective on the wider meaning of Kremlin politics, has the virtue of first-hand reporting.

At the mass rally in Dzerzhinsky Square after the coup, Pozner was called by the crowd to speak. He found the right words, *though they seem now* too optimistic. "I want to thank the junta for what it did for us . . . for uniting us, for finally bringing us together . . . for helping us recover our pride . . . for giving us back our army." The fact that the soldiers had refused to obey the junta and storm the Russian Parliament, saved Yeltsin and saved the day, and turned a momentous page in history.

Could Gorbachev have done better than he did, Pozner wonders? Probably. Could someone else have done a better job? Maybe. Did he miss golden opportunities and thereby botch things – yes, he did. The coup was the fulcrum which precipitated his downfall, but the killings in Vilnius when the Soviet troops moved into Lithuania was the start.

Everyone who lived through those events has their own story to tell, not least first-rate British reporters. In Out Of Red Darkness (*John Murray*, £16.95) Trevor Fishlock of the Telegraph and in Goodbye to the USSR Steve Crawshaw of the Independent (*Bloomsbury*, £18.99) each provide alert, lucid and well-paced assessments of the collapse of the Soviet Union. Another way of getting the flavour, of sensing the poetic truth of why the system failed, may be found in fiction, in the form of Alexander Zinoviev's mordantly funny satire Perestroika in Partygrad (*Peter Owen*, £10.95) A model town, where nothing has ever happened (though there is plenty to hide), Partygrad is scheduled to become a "lighthouse of perestroika", to attract admiring visitors from the West. This scenario allows the narrator to draw an anatomy of the party, its functionaries and hacks and hangers-on, the whole spectrum of society in its muddle, wistfulness, indulgence, inefficiency and solace in fine words and hard liquor. It is an affectionate, in a paradoxical way patriotic, account which shows exactly why Communism could never never work. More worrying, it implies that perestroika has not got a chance, either.

But the voice of the people, cold and raw as vodka itself, comes through most strongly in their own words, in two books simply recording their feelings. A wide range of Soviet voices is given in Russia Speaks, an oral history from the revolution to the present, by the American writer Richard Lourie (*HarperCollins*, £16.99). The author travelled from Moscow to Central Asia, from Lithuania to Georgia, and interviewed all manner of people, from soldiers, and Gulag survivors to clowns and priests, all longing to talk.

More sombre are the voices heard in Zinky Boys by Svetlana Alexievich (*Chatto & Windus*, £9.99). This was the name given to the young Soviet soldiers who came back from the war in Afghanistan in zinc coffins. Something like 15,000 lives were lost, with more than double that number seriously wounded. Yet their families were denied even the right to express their grief properly.

Many of these reminiscences are heart-rending. "Both my legs were amputated above the knee. If only they'd been taken off *below* the knee - that would've been fine! I'd be a happy man!" Yet if the same circumstances arose, this conscript says he would go back.

A useful guide to the rapidly changing world of the Commonwealth of Independent States is provided by Russia Revised by Andrew Wilson and Nina Bachkatov (*Andre Deutsch*, £9.99). It is compiled with wit as well as hard facts. Thus under "Cosmonaut": "Favourite hero of Soviet small boys, until Yuri Gagarin was ousted by Crocodile Dundee."

David Spanier

Of Atlantis, and other lost causes

COULD the story of Atlantis, the mythical lost continent usually placed near the Straits of Gibraltar, really be about Troy and the collapse of the Mycenaean kingdoms of Greece in the 12th century BC? This is the startling theme of *The Flood from Heaven*.

Ho ho! It must be another crackpot notion like those about the Ark, Stonehenge and prehistoric UFOs. People love to believe them; they do not threaten a rational life as they are about dead-and-gone times; they always make the experts wrong; and they sell well, despite usually damning reviews. Such a scenario seems to have worried Eberhard Zangger's publishers enough to make them ask Anthony Snodgrass, Professor of Classical Archaeology at Cambridge, to write a foreword to show that this time everybody is serious.

Only Plato tells us about Atlantis. Writing in the 4th century BC, he describes a city state that the sea swallowed up 9,000 years ago, and says his story comes from the Athenian poet-philosopher-politician Solon, who heard it from priests in Egypt two centuries earlier. It sounds like a paradise: the earth was fruitful, technology efficient, laws were just and all knew their position. Is it based on reality? Or a never-never land version of Plato's ideal state, given mythical historicity to make it more important? I sense that Plato was making his own new myth during a depressed period after the prince he had tutored to be a philosopher-king had gone to the bad.

For Zangger, the Atlantis story has the ring of truth. It is, he suggests, an often accurate account of the great city of Troy conflated with the Mycenaean civilisation known to us from archaeology and Homer. As an expert on how the early people of the Aegean used the land – the key to understanding any culture – he has worked most at the Mycenaean citadel of Tiryns. There he has seen the damage (as Plato was the first to describe) caused by cutting down trees: flash floods, soil erosion and alluviation that strands towns once on the sea high and dry inland. Did this destroy Atlantis?

THE FLOOD FROM HEAVEN
by Eberhard Zangger
Sidgwick & Jackson £17.50, 256 pages

It is a book of very mixed quality. It is exceptionally lively on environmental matters, but myths tend to become facts as the book goes on, and that is dangerous. Very little of Homer really matches the Mycenaeans' world; Atlantis is surely the product of Plato's mind and makes good sense in terms of his philosophy.

Gerald Cadogan

Fiction

If the shoe fits. . .

UNLIKE more aggressive nutters, the shoe fetishist seems a harmless, easy-going fellow. Michael, the narrator of *Emily's Shoes*, simply lifts the odd high-heeled pair from shop or jumble sale, takes it home and, as it were, broods over it. Though he sometimes wears women's shoes, he is cagey about it, and ashamed.

This obsession goes back to the days when, as a 10-year-old, he loses his mother and is taken in by glamorous Aunt Emily who, like everyone else he loves, forsakes him.

Shoes, though it is never spelled out, become all he can cope with, man-made, external, replaceable. They won't die like his parents, or go mad like his childhood sweetheart, or vanish into sex and marriage like Aunt Emily. Michael's adult loneliness in a socially-awkward Dublin of oddities and fakes, supposed miracles, pubs, churches, office blocks and slums, becomes so intense that nothing can pierce it.

The story of his botched life is gloomy but aesthetically ebullient because the writing is so strong, so exact, so much the right colour for each moment and episode. The refusal to mourn, to acknowledge pain, to face the past, to release spiritual poisons, has built up a throbbing pus of such horror that only the banal prayer ("Jesus of every pair of women's shoes") seems possible.

Anguish, unacknowledged but retrospectively felt, has to be dealt with before a cure of sorts seems possible through dreams and memories. In this way, Michael at last undergoes a sort of self-analysis. The writing is triumphantly successful – bare, passionate, almost understating the almost unstateable.

Janette Turner Hospital's *The Last Magician* has a complicated story spanning about three decades. In its early stages, it tosses names and memories about which only later acquire the necessary weight of feeling, but at the time leave the reader irritatingly in the dark.

Yet from the first sentence, which echoes Dante, it has enormous energy and power, both seemingly haphazard at the start, then gradually concentrating on the central event which shapes the lives of everyone involved in the story. This is the accidental death of a beautiful, loveable, mentally-

EMILY'S SHOES
by Dermot Bolger
Viking £14.99, 266 pages

THE LAST MAGICIAN
by Janette Turner Hospital
Virago £14.99, 352 pages

A FOOL'S ALPHABET
by Sebastian Faulks
Hutchinson £13.99, 275 pages

retarded child. In spite of their wild grief and sense of guilt, all the adolescents who saw it can be called in some way responsible, and all are pursued through life by the other's "great beating wings" of action, despair and memory.

This enormously ambitious book invokes not just Dante in its structure (the inferno of subterranean Brisbane, all drugs, brothels and mayhem), but literary figures in the writing itself, Shakespeare, Coleridge, Eliot, Hopkins and others, often half-buried or echoed in a phrase rather than quoted.

It seems a pity that some of the main figures from the shared Australian childhood should have become, as adults, famous globe-trotters in television and photography. In the early unfocused parts of the novel, that sort of fame and life-style suggests something pop and bogus. But when real characters emerge, this spurious air vanishes and with less curlicued techniques (you have to work hard to reach them) the novel has enormous punch and visual richness and becomes impressive.

Incidents are made into heightened moments of everyday reality. Everyone's appearance becomes intensely memorable. Australia shimmers in a sort of exotic ordinariness. Love and loyalty, strained and sometimes broken, become the measure of everything human, and the mundane, without pretentiousness, is given a new dimension. Extreme and extraordinary, the novel more or less carries off its imagery and justifies its metaphors.

Sebastian Faulks' *A Fool's Alphabet* is, by comparison, tame and bland. It is also pleasant, literate and a good read, a conventionally-told tale in an unconventional narrative form. Calvino (say) might have made much of the device; but an unusual format doesn't in itself produce unusual writing.

Twenty-six chapters, labelled from A to Z, are each set in the appropriately-initialled place across half a century: A for Anzio, where the hero, Pietro's father, lands with the Allies from North Africa in 1943 and meets his Italian wife; Z for Zanica, the Italian village where Pietro is conceived; in between, 24 other places around the world. The jerky variety of place and time makes for an unmonotonous but, alas, unmemorable series of vignettes: snapshots from the family album rather than the cumulative reality of a novel.

Isabel Quigly

Thrillers

Powers of the press

TWO US Supreme Court judges are killed on the same evening. No one can link the murders, but the President quickly begins choosing successors who will ensure that the court has a conservative majority for a generation.

In New Orleans, Derby Shaw, a young law student is intrigued. She investigates and writes a brief which names an unlikely suspect. Her professor and lover passes the brief to a friend in the FBI. Within days, her lover is dead and she is running for her life.

From that beginning, John Grisham weaves a heady tale of deceit, treachery and multiple killing which successfully describes the manipulative rivalries and enmities inside the US political and legal systems.

If that sounds grim, Grisham has no doubts as to the whereabouts of democracy's principal safety mechanism. The closing chapters of the book make skilful use of newspaper deadlines to maintain a comfortable degree of suspense. Once Derby Shaw's story is printed, readers can be sure that the cover-ups and conspiracies are doomed. God Bless America and the *Washington Post*.

The Pelican Brief is not as original as Grisham's first novel, *The Firm*, but that may be because in ranging beyond

THE PELICAN BRIEF
by John Grisham
Century £14.99, 371 pages

SAYONARA
by Elliot Marshall
Chapmans £8.99, 376 pages

THE CHINAMAN
by Stephen Leather
Hodder & Stoughton £14.99, 312 pages

the legal profession it calls on a cliche too far. But it is better than the average thriller.

And it is much better than *Sayonara*, Elliot Marshall's depressing vision of a United States threatened with economic thralldom by a Japan bent on revenge and humiliation. Whereas Grisham seeks out and finds redemption within the US system, Marshall wants only villains to blame for the post-war loss of economic and social leadership. Who better than inscrutable outsiders?

Marshall's description of the Japanese is stereotyped and thoroughly nasty, just as the women in the book, even the supposedly modern and independent types, are narrow simulacra. He paints a relentlessly unappealing picture in which the materialist decadence of the US is not obviously better than the backward-looking morality of Japan. Unfortunately, as Michael Crichton's *Rising Sun* has already shown, this sort of dangerous xenophobia sells.

It is a relief to turn to *The Chinaman*, who is actually a monosyllabic Vietnamese refugee. This inscrutable outsider wages a dignified one-man war on the IRA to avenge his daughter's death in a bomb blast. When he starts practising his old skills as a jungle terrorist on a Sinn Fein leader, the tables are neatly turned. Enjoyable tosh.

Andrew Freeman

Crime

Eager debutants

NO ONE who attempts to follow crime fiction expects to find a masterpiece every time he or she picks up a new book. The murder fan seeks not so much a great work as a comfortable read, a story that catches the imagination, but allows the reader to relax at the same time. If, into the bargain, the author writes well, so much the better.

The current stack of new thrillers happily includes some debuts of distinct promise, even though there are no masterpieces to report for the moment. Veronica Stallwood's *Death Spell* (Macmillan, £13.99, 207 pages) has some Rendell-like skewed psychology, but also has some welcome, individual qualities, chief of which is an evident gift for characterisation. The protagonist is an attractive but irretrievable sloven, who lives with her atrocious second husband in a fairly grand house near Oxford. She is surrounded by a raft of children, some his, some hers, and the resultant dirty linen, unwashed dishes, racket and disorder.

As you read Stallwood's wry, implacable description, you can almost smell the burnt toast. The marginal characters – husband, neighbours, and a splendidly efficient woman who runs a house-cleaning service – are neatly drawn. The actual murder may be something of a disappointment (the Rendellian element is too prominent), but the book is irresistibly readable.

Scotland has always been an ideal venue for misdeeds, but in *Double Entry*, the first murder story of Margaret McKinlay (Collins, £13.99, 190 pages), the author uses local colour sparingly, and it is thus all the more effective. This is one of those stories in which an apparently harmless, virtually anonymous person becomes mysteriously the victim of violence and threats of worse.

Numbed by the tragic loss of his young wife, the accountant John Leith has not cultivated other people, and even with his girlfriend he has a somewhat business-like relationship. His battle against evil ends with him not only victorious, but also re-humanised. According to the blurb, Leith will be the protagonist of future tales. It will be interesting to follow him.

A nearly-decomposed body is found in a long-neglected farm building, and a 10-year-old suspicion of murder is revived. Ninette Walters, in her first novel, *The Ice House* (Macmillan, £13.99, 240 pages), bites off a lot of story, perhaps a bit more than the reader will want to chew. But, in allowing herself ample space, she makes it possible to develop a large cast of closely-observed, unusual characters, their complex relationships, and the social setting of their several dramas. Once in a while, the writer indulges in excessively colourful prose, but for the most part the writing is direct, telling, arresting; and the dialogue is intelligent, often funny.

Colourful prose is the name of Rowland Morgan's game, and Morgan's first novel, *Tall Dead Wives* (Bloomsbury, 178 pages, £5.99), is so outrageously over-written that, short as it is, for some readers (including this reviewer) it will be impenetrable. A sample passage: "An image of Peppi came to me: emerging from the turquoise sea, surging up on glistening honey-coloured thighs, with streaming golden seaweed hair. Incoherent jealousy stabbed my gut, curdling the juice of crazy love."

There is probably a story buried beneath all the adjectives, but who cares? Answer: somebody must, because a second Rowland Morgan has followed hard on the honey-coloured heels of the first.

William Weaver

Alastair Muir

Swamp fever: Robert Lepage's set is dominated by a huge three-inch deep mire

Night of errors

THE Royal National Theatre's production of *A Midsummer Night's Dream*, directed by the French Canadian, Robert Lepage, ought to be retitled *Bottom in the Underworld* or *Nightmare in Hades*. The company plays the full Shakespeare text, if not the verse, but any other connection with the original is tenuous.

Lepage has said that there is no reason why the dream should be assumed to be a happy one and, even on a conventional reading, it has its nightmarish aspects. Here, however, we go for the extremes, not the subtleties. There is not a tree, let alone a wood, in sight; the only flowers are those brought by Puck to administer his spells. The setting is something out of Dante: a huge underground swamp in which fairies crawl, everyone else wades and around which the lovers jog.

The swamp, although only about three inches deep, is a tremendous technical achievement. Those sitting in the front two rows of the stalls are given protective clothing to guard against the splashing, and one of the wonders of the production is how the water does not drip through the boards. The daily laundry bill for the mud-covered cast must be enormous.

One of the principal props is a bedstead. The lovers are asleep on it at the start. It is punted around the swamp as though this were purgatory. Then it reappears in various modes. When Titania finally makes love to Bottom, the lovers are lying curled up in the water beneath it. At the end, the bedstead, still in the water, serves as the precarious stage on which Bottom and his fellow workmen give their play.

There is a great deal of athleticism, as one would expect from Lepage. In the *Dream* the great physical feats come from Angela Laurier's Puck. She does a circus-like aerial spinning act while putting a girdle round the earth in 40 minutes and spends much of her time upside down. Instead of giving Bottom an ass's head, she twines her legs round his neck with her feet sticking out looking likes ass's ears – a pose which is only abandoned when Titania gets round to ravishing him.

Apart from Hades, there is a touch of the east. Hippolyta looks like an Asian queen, the servants are distinctly Indian and when the lights go up beyond the swamp, the background is eastern. Some Indonesian music, though including western instruments, has been especially devised for the play.

So much for the novelties: the question is whether they work. On one level, the answer is yes. After all, this is the National Theatre, which has so much talent and so many resources that it could get away with playing *Twelfth Night* backwards. On the more rational level, however, the answer is no. The production makes a travesty of the play.

Whether dream, nightmare or a mixture of both, the piece is plainly set in midsummer. But there is no midsummer in the world of Lepage. The fairies might well be seen as somewhat sinister, but they are not primeval creatures crawling out of a swamp. Why else are they called Peaseblossom and Mustardseed? When Bottom asks for the honey bag, you reflect only that that is the last thing he is likely to get in these nether regions.

Some readers may regard the *Dream* as a comedy, and it is true that it is such a funny play that not even Lepage can extinguish all the laughs. Yet his Bottom, played by Timothy Spall, is a sad figure, more frightened than puzzled by his transformation, more in danger of going mad than into ecstasy.

A few of the errors are more elementary. For instance, when Hermia and Helena have their first quarrel, Demetrius and Lysander go in for a wrestling match in the swamp. This distracts attention from the dialogue, and indeed such carelessness with the words is a general tendency.

The emphasis on spectacle leads to some excessively slow playing. Once you have the swamp on stage you can't get it off again, even when it has ceased to be relevant. Those who admire the *Dream* for the beauty of its language as well as its comedy are likely to be disappointed. The case for this production is simply curiosity to see something different.

Malcolm Rutherford

An appealing and revealing panorama

William Weaver enjoys a visit to the Marzotto collection

ALTHOUGH he died only 20 years ago, the Italian industrialist Count Gaetano Marzotto seems a 19th century figure: an enlightened – by today's criteria perhaps paternalistic – businessman, he created an ideal city for his workers, established a chain of reasonably-priced, scrupulously clean and well-run hotels in Southern Italy, where travel had long been a struggle with discomfort and lack of hygiene, and set up the Marzotto Prizes to reward merit in various fields.

For his private satisfaction, he assembled some 200 Italian paintings from the latter half of the Ottocento, a collection that has been called "the greatest, the most complete, and the best chosen" of its period.

The Count had eight children and numerous grandchildren, and at his death, the collection was divided among these heirs. Although some of the individual pictures have been seen in exhibitions, there has never been a public show devoted to the collection and the scattering of the works has made the organisation of such a show a daunting enterprise.

Fortunately, the recently inaugurated Fondazione Magnani Rocca at Corte di Mamiano (Parma) and the scholar Roberto Tassi faced the challenge and have assembled almost 100 pictures, which not only give a convincing notion of Count Marzotto's taste but also an appealing and revealing panorama of Italian painting between the mid-19th century and the early years of the 20th.

It is a period that 50 or so years ago was not highly regarded (and this low opinion surely made Marzotto's collecting easier and perhaps less expensive), and even now, while painters like Fattori and Palizzi and De Nittis are in fashion again in Italy, they are largely unfamiliar outside their homeland.

During the central decades of the Ottocento, Italy was politically united; but socially and intellectually it remained a country of regions, of quite different, even antithetical cultures.

Artists could travel more easily, but they carried the baggage of their origins with them. Some, the bolder ones, eagerly went abroad and were influenced by the foreign artists whom they encountered and whose works they saw.

Clearly, Count Marzotto had a predilection for De Nittis, and the paintings in the current exhibition represent a kind of show-within-the-show of particular interest.

Born in Apulia in 1846, trained in Naples, De Nittis travelled in Northern Italy, before going to Paris, where he settled in 1868. But he returned often to Italy, sometimes for extended stays, and in Naples he made the extraordinary series of studies of Vesuvius. Stark, even grim works, solitary and usually unpeopled, they are in dramatic contrast with the traditional (and lovely) views by earlier artists, with fishermen dancing the tarantella on the shore of Posillipo as the volcano scatters glowing lapilli and pours out bright red streams of lava.

In all, De Nittis painted more than 60 views, usually on small wooden panels; the 12 works in the Marzotto collection include an almost abstract scene of the crater and a sad and mysterious picture of the artist's solitary horse, saddled and waiting to carry his master for the toilsome ride to the plain.

Once united, Italy remained a military-minded country; and the collection includes some army scenes, including Telemaco Signorini's large narrative picture of the Tuscan Artillery at Montechiaro Greeted by the French Wounded at Solferino (the artist was in the artillery himself).

But Giovanni Fattori's "In Vedetta" (also known as "The White Wall"), though quieter in tone, is somehow more disturbing. This very famous, much-reproduced picture, dating from around 1871, is one of the collection's prizes. But, for that matter, Count Marzotto collected wisely, and nearly all his pictures are of the highest quality. Also, unlike some collectors, he was not afraid of big paintings. Happily, these large-scale works look at home on the walls of the Magnani villa.

Luigi Magnani himself was a much more eclectic purchaser than Marzotto. Rather than confine himself to a given period or school or country, he simply bought what he admired; but like Marzotto, he wanted quality. So his Goya, his Dürer, his Titian and their companions are all first-rate. The permanent collection is a perfect complement to this visiting exhibition (which closes on 19 July). For that matter, a visit to the Corte di Mamiano and the Magnani villa is, at any time, a rare pleasure.

The catalogue of the Marzotto exhibition (published by the Fondazione, with texts by Andrea Baboni, Michela Scolaro and Simona Tosini Pizzetti, as well as by the show's curator Tassi) is a valuable work of scholarship, handsomely produced, with reproductions of paintings unavailable to the curator but apposite to the exhibition.

Spoken Word

Summer listening

Mary Postgate on the latest batch of audio tapes

TOP of my list for summer listening is Anthony Trollope's *The Last Chronicle of Barset*, first published in 1867 (Cover To Cover Cassettes CTC 061; 23 cassettes; 31 hours; unabridged). This is the story of the Rev Josiah Crawley, perpetual curate in the parish of Hogglestock, learned, impoverished and proud, who is accused of dishonesty over a cheque for £20. The charge turns out to have been founded on a misunderstanding, but his agony while awaiting trial at the assizes is appalling, and his wife and daughters suffer with him. A magnificent reading from Timothy West, to round off the sequence of novels that he has made so very much his own.

From Isis Audio Books, *The Ladies of Missalonghi* by the Australian Colleen McCullough (TE 432; 4 cassettes; 5 hours 15 minutes; unabridged) is nicely read by Davina Porter. the tale is set in the early years of this century in a small town in the Blue Mountains, which is ruled by the founder's male descendants. Unattached or widowed women have a thin time, until Missy, 33 and unmarried, and not even looking like the rest of the family's women, starts a revolution – a cheering fairy tale for grown-ups.

Lake Wobegon Days and *Leaving Home* are two of the phenomenally popular chronicles of a small Mid-Western town written by Garrison Keillor. The author reads the stories himself on the radio, both here and in the US, and the BBC Radio Collection has released these two together in a limited-edition boxed set (ZBBC 1293; 4 cassettes; 4 hours). Lake Wobegon takes itself seriously, but its creator is one of the funniest and most endearing writers reading today. Hear him, if you have not already done so.

John Galsworthy's *Forsyte Saga* seems to have an unending attraction. The part-dramatisation broadcast on BBC radio and now issued as a boxed set (ZBBC 1252; 6 cassettes; 9 hours) offers yet another account of the story of the three generations of Forsytes, and their money, beginning in 1886. Dirk Bogarde's delectable reading as the narrator supplies the romantic colouration that the story itself rarely achieves, and Sir Michael Hordern as Old Jolyon, the one genuinely warm heart in the entire chronicle, heads an excellent cast. Only Diana Quick's Irene slightly disappoints.

In collaboration with BBC Drama, Random Century Audiobooks has issued the recording of Kenneth Branagh's Renaissance Theatre's production of *Hamlet* (RC 100; 4 cassettes; 3 hours 30 minutes), broadcast in April on Radio 3 and reviewed at that time. Suffice to say that it is an imposing addition to Random's catalogue. (I did not like Ophelia much, nor her brother, but perhaps one wasn't intended to.)

Argo has reissued a recording of Shaw's *Pygmalion* (Argo 1298; 2 cassettes; 1 hour 45 minutes; edited) made some years ago but still worth hearing, with Diana Rigg as Eliza, Alec McCowan as Higgins, Jack May as Pickering and Bob Hoskins as Alfred Doolittle with strong supporting cast. The message about specific pretensions of the middle classes is dated, but the jokes are still good, and the acting has the right Shavian crispness.

On the subject of acting, Simon Callow reads a shortened version of his own book *Shooting the Actor* (Random Century RC 79; 3 hours), his diary of six weeks spent in Yugoslavia in 1987, acting in the film *Manifesto* under the direction of Dusan Makavejev and watching the steady deterioration of their professional relationship. Makavejev's comments on the diary are incorporated. A first-rate clash of personalities, but with something learnt on both sides.

To return to fiction, Tim Pigott-Smith's reading of Jules Verne's *Around The World In Eighty Days* (Argo 1310; 2 cassettes; 2 hours 45 minutes; abridged) is brisk, expert and hugely enjoyable. Of course, it is a rattling good yarn and the ending still breathless, after almost 120 years; and we still half-believe the caricature of the imperturbable gentleman, "a man of heart", as we all know, "when he has the time".

Another period piece from Argo, Jerome K. Jerome's *Three Men On The Bummel* (Argo 1304; 2 cassettes; 2 hours 15 minutes; abridged) was published in 1900 as a sequel to *Three Men In A Boat*. Bicycling in Germany was rather less jolly than camping on the Thames, but the candid account of Germany, and the Germans, at the turn of the century is full of interest. Apart from one or two overblown accents, Jeremy Nicholas's reading is comfortably companionable.

Once again it is possible to hear the late Poet Laureate, Sir John Betjeman, reading his 1960 blank-verse autobiography, *Summoned By Bells* (BBC Radio Collection ZBBC 1249; two cassettes, 2 hours), and to be astonished yet again at how much of the man and his period and background are preserved in it, like flies in amber. An immensely enjoyable listen.

Virgin Records has issued four CDs of Betjeman reading his poems (12 on each CD) to music composed, arranged and conducted by Jim Parker: *Banana Blush* (CASCD 1086; 39 minutes); *Late-flowering Love* (CASCD 1096; 43 minutes); *Britain* (CASCD 1130; 42 minutes - includes *Hunter Trials* and *A Subaltern's Love Song*) and *Varsity Rag* (CASCD 1154; 46 minutes). An appealing set, with the poet's (slightly diffident) showman side prettily complemented by the music. The recordings date from 1974-1981; Betjeman died in 1984.

Jill Balcon and the Rasumovsky String Quartet have recorded an agreeable anthology on CD, *The Sunlight On The Garden* (Imperial Sound RAZCD 901), with Louis MacNeice's elegiac poem of that title and passages from Vita Sackville-West, Gertrude Jekyll, Laurie Lee, and others, and music which includes Puccini, Haydn, Britten. (Ignore the small mistake in the opening line of Jill Balcon's beautiful performance, since we all know that Francis Bacon, Lord Verulam, actually wrote about "...the purest of human pleasures", with an "s".)

Match of the century: Joanna the Mad of Castile and Philip the Handsome of Burgundy by Juan de Flandes c. 1496-1500 (Vienna, Kunsthistorisches Museum)

The Habsburgs in Spain

Patricia Morison *on a celebration of the consequences of a famous marriage*

IN 1496, no one would have thought that Emperor Maximilian I of the Habsburgs had signed "the most remarkable marriage contract in the history of modern Europe". The marriage of his heir, Philip the Handsome to Joanna of Castile, second daughter of Ferdinand and Isabella of Spain, was certainly a respectable match. Then Fortune turned her wheel, and their son Charles V, became heir to a world-empire.

Hispania-Austria is a magnificent exhibition celebrating the birth of two centuries of Habsburg rule in Spain. It has been mounted jointly by the Austrian and the Spanish ministries of culture and is 70 per cent the same as the show at Toledo this spring, *Reyes y Mecenas*. However, the 30 per cent difference matters, and anyone with a chance to notch up both shows should certainly take it. (The exceptionally thorough catalogues differ correspondingly between the German- and Spanish-language versions: Electa Press, Sch500).

The exhibition's somewhat daunting subtitle is "The Catholic Kings – Maximilian I and the Origins of the *Casa de Austria* in Spain." In Austria, this means more emphasis on the absorbing personality of Maximilian the match-maker himself. None the less, one could hardly hope to see a rarer, better-exhibited display of art in late 15th-Century Spain (which of course, includes many Flemish artists) than the first floor of the exhibition.

Anyone who knows how difficult it remains to glimpse, let alone see properly, artistic treasures in Spain's sacristies and religious houses, will relish the privileged view *Hispania-Austria* offers. There are dozens of panel paintings and painted wooden sculptures, incredibly beautiful tapestries and liturgical treasures.

The huge funeral pall of the de Velascos, Constables of Castile, looks as fresh as if it were made yesterday. The embroidered *manga* (a processional crucifix stand) was the gift to Toledo Cathedral of Cardinal Ximenes de Cisneros, responsible for expelling the Jews and unleashing the Inquisition.

One of the most exceptional pieces is a memorial bronze from Badajoz Cathedral of a young Spanish ambassador who died in Venice in 1506. Possibly made by Alessandro Leopardi, it is a full-length and astonishingly lifelike portrait of Lorenco de Figueroa, not in armour but dressed informally and holding carelessly, almost with disdain, his sword and shield.

Added to them are treasures from Austrian collections, principally from Vienna, and further superb loans of books, paintings, and prints, from Brussels, Amsterdam, the Louvre, and Berlin. Among the painters, names to conjure with are Bartolomé Bermejo, Cranach the Elder, Dürer, Hans Burgkmair, Gerard David, and Pinturicchio.

There are a quantity of historic portraits, including Michiel Sittow's lovely portrait of our own Catherine of Aragon, bride to Henry VIII. One to linger over shows Mary of Burgundy, Maximilian's much-widowed daughter. Recently thought to be by Michael Pacher, it is a lovely image of a lady as pale and fine as alabaster, and, since it belongs to a private collector, who knows when it will be seen again.

Exhibits of such quality and variety leave an unforgettable impression of the artistic scene in Europe around 1492. And where is one to see these exceptional riches? Not, for once, in Vienna, but in Innsbruck, capital of the Tyrol.

Hispania-Austria marks an important break in the Austrian government's tradition of cultural centralism. Schloss Ambras is a Renaissance castle in the foothills of the Alps, 10 minutes' drive from Innsbruck. The exhibition occupies three floors of the upper castle which is normally closed to the public.

It is not just a case of matching nice objects to nice place. Schloss Ambras is a Habsburg castle, remodelled by Maximilian's grandson, Archduke Ferdinand. In the lower castle – assuming you have any strength left after this huge show – do visit Ferdinand's own extraordinary collection. The first museum to be made north of the Alps, it is full of bizarre kitsch which speak volumes for the tastes of Renaissance princes.

On the second floor of the exhibition, which is devoted to Maximilian, the choice of venue becomes still more satisfying. Among the Emperor's umpteen titles was Landesfürst of Tyrol and in all Maximilian's widely-scattered lands, there was nowhere he preferred to be than in the Tyrolean Alps.

In Innsbruck, as every tourist knows, he was betrothed and gave the famous Golden Dächl to his bride. But sentimentality had nothing to do with Maximilian's predilection. He loved to hunt and fish, and the Tyrol offered the best and most perilous fun of all, scaling peaks armed with crossbows and huge spears in search of chamois. And being Maximilian, he was ready with the tale of how, when he lost his way on the Martinsberg, an angel appeared and set him on the right path.

There is something deeply satisfying about looking at Maximilian's hunting crossbow and flattering images of his hunting exploits, and then looking out of the window at the encircling forests and snowcapped peaks. Maximilian's money, too, which he spent with such incredible panache, came in large part from the iron and silver the miners dug from those mountains.

In the Hofkirche in Innsbruck stand the lifesize iron figures of heroes, guarding the tomb where Maximilian's body would have rested, had he not squeezed the citizenry beyond endurance with taxes – and never paid his bills. It is good to remember that fact, swept away as a visitor may well be by the potency and persuasiveness of Maximilian's vision of his own importance.

He wrote romances and corrected the lavish presentation manuscripts in his own hand. He exploited the new medium of the printing press to make his image known throughout the empire. He was the sainted, knightly hero of his own personal romance. These days, "historic trails" are all the rage with tourist offices. If ever there was an exhibition which justified a trail, it is *Hispania-Austria*: on the trail of Maximilian, through the Tyrol.

Runs until 20 September, daily. To book, ring +43 (512) 5924407, 5924409. No parking at the castle but free shuttle-bus from points in Innsbruck

Radio

On a train to nowhere

THERE was Russian drama on Monday on Radio 4 and Tuesday on Radio 3. Tuesday's was outstanding, *Moscow Stations* by Venedikt Yerofeev, an hour's monologue spoken by Tom Courtenay with great skill.

We are with a drunk on the train from Moscow to Petushki, where the birds always sing and the flowers bloom and his girl waits for him. He has lost his job as brigade-leader on useless work, but can afford endless "cocktail" drinks with increasingly unlikely ingredients. Station follows station, but "nobody ever gets to Petrushki". The train may actually pass it, yet they are back at Kursk station in Moscow – if they ever left – and there come pain and a blackout that may last for ever.

Philosophic, artistic, biblical and historical references abound in the tale, as comic as it is pathetic. There are Angels on call, but in the end they only laugh. The fine English version is by Stephen Mulrine, and the direction by Faynia Williams.

Radio 4's *Going Under*, dramatised by Ken Whitmore from Lynda Chukovskaya's novel, is set in 1949 and has the quality of the Russian tales we know from that period. Set in a rest-camp where writers are sent to alleviate their deviance, it is the love-story of Nina Sergevevna, who believes her husband to be working in the mines, and Bilibin, who knows he is not. There is a contrapuntal theme from Veksler, a Jewish poet, who also cares for Nina.

Literary taste is allowed more importance than politics ("It's poetry that keeps us apart"), and the tale seemed to me everyday stuff. Annette Crosbie was Nina (she reads Bilibin's 500-page manuscript in one evening), Graham Crowden was Bilibin and Martin Jenkins directed.

Your Place or Mine? is a promising new series for Radio 4 on Sunday evenings. British and American documentary makers have combined in snapshots of Provincial Britain and Middle America that will be unfamiliar to the opposite sides.

This week we visited Sedona, Arizona, revered by the Yevepoi Apache Indians for standing on red rock, red being sacred. The tribal chairman, Theo Smith senior, introduced himself to us, and we were told much about Sedona's history, which so entrances American tourists that New Age worshippers (no connection with our lot) have settled there in strength. You get more spiritual growth from the vortex there, said a settler, than from all the energy of New York. The wise Apache view is that you can worship just as effectively from anywhere you like.

American scenes to come include the snake-handlers of the Appalachians, who quote biblical reference for the healing power of serpents, and the followers of quasi-Nazi David Duke in Louisiana. And we? Well, there are the Birmingham Moslems, including the English ones. There is the rivalry of Welsh- and English-speaking students at Bangor. These may seem as odd to the Americans as the snake-handlers to us, for the programmes are to go out on both sides of the Atlantic.

Last night, still on Radio 4, Ray Gosling, one of the better commentators on ordinary life, began a new series, *Gosling in the High Street*, telling the history of firms we take for granted.

He discussed with Montague Burton's son Arnold how those tailors began, and very romantic too – the first shop opened by teenage Sir Montague, an immigrant European Jew, on a handful of money, with the idea of providing everyone with a three-piece suit for a week's wages. To attract customers, he added dance-halls upstairs and billiard-saloons below.

B.A. Young

Chess No 931: 1 Rhe8 g5 2 Rd2 Kxd2 3 Bb4 mate.

Soft-centre Giselle

***Clement Crisp** on Australian Ballet's staging*

The central role is the reason for the survival of *Giselle*. Even under the most inimical circumstances – that creaking tent, echoing with exterior noise, in which the Royal Ballet used to camp out in Battersea – a great interpretation will tell us everything about this romantic icon, as we recall from a celebrated and be-canvassed matinee with Makarova and Dowell.

Careful opera-house stagings, hung about with every period knick-knack that producer's mania can conceive, are of no avail without the focus of a commanding ballerina. Youth, innocent willingness, mean little in dancing Giselle: the justification for any performance in this "holy ballet", as Karsavina called it, is an apostolic succession – the handing on of nuance and understanding from great ballerinas to their heirs.

The Australian Ballet showed their *Giselle* on Thursday night. It is a sensitive, unfussed and traditional recension by Maina Gielgud. It has felicitous touches: the appearance of the wilis, born of the nocturnal mists, is redolent of romantic feeling, and nicely menacing. The supporting playing is discreet, well-mannered, and in Josef Christianson we saw a fine Hilarion, credible in his feelings for Giselle as in his terrors amid the menacing wilis. But, like so many others, the staging is waiting for the transforming presence of a great central interpretation to make us part of its world, rather than mere observers of its quaint charms.

Fiona Tonkin and Steven Heathcote, the Giselle and Albrecht of this first performance, were conscientious in all things. She was by turns shy and adoring as the village maiden; he was loving, then remorseful. And the ballet looked like an exercise rather than a masterpiece.

In the spectral frenzies of the forest scene – where Maina Gielgud's production is at its best – both artists showed us that this was a poetic drama rather than the prosaic tale that had been Act I.

The gauzy horde of the wilis was admirable, united in style and step: Sian Stokes, a commanding Myrtha, and Lisa Bolte and Robyn Corby, her lieutenants, were vaporously excellent. Peter Farmer's design goes through all the right motions, and sustains the narrative.

As a curtain-raiser (and it is good to have another ballet with *Giselle*: today's ticket prices entitle audiences to as much dancing as they can get), we were given *Catalyst* by young Australian choreographer Stephen Baynes. He has turned to the Poulenc two-piano concerto, a work in which he discerns "a sense of conflict". In seeking to prove this theory in dance, it seems to me that Mr Baynes has set dogmatic limits on his response to the score. He treats it as a case to be proved, rather than as music which might feed his evident ability to make plotless classical movement.

His cast work very well, with Greg Horsman especially brilliant. There is an inexplicable design of ropes and what looks like a bronze-age chandelier. The soloists in the concerto – Nigel Gaynor and Stuart Macklin – were excellent.

Thurday's performance was dedicated to the memory of the outstanding Australian premier danseur and teacher, Kelvin Coe, whose death at the age of 45 was reported that morning. Coe was a magnificent dancer and his passing must grieve everyone who saw this sincere, generous and exhilarating artist.

The Australian ballet season continues at the Coliseum with varied programming until 18 July.

Canaletto prices strike 80s chord

PAINTINGS by Canaletto fetched the kind of prices made during the boom of the late '80s at Christie's yesterday.

The better of the two top lots, a view of the Grand Canal in Venice looking east from the Campo di S. Vio, changed hands for £1.43m (estimate £600,000-£800,000).

A different buyer paid £990,000 for a similarly estimated view looking north from the Rialto bridge.

Both are excellent witness for the case against museums selling off pictures. The Alte Pinakothek in Munich had sold them in 1939 as it was then believed they were by Bellotto.

No one now doubts the original attribution to Canaletto. The paintings were part of a set of four Venetian views by the master once owned by the celebrated neo-Classical sculptor Antonio Canova. A third Grand Canal scene by Canaletto and studio realised £297,000.

The auction went better than might have been expected. Although just under half the lots of the morning session were bought in, the pictures that ought to have sold generally found good prices. A small flowerpiece by Ambrosius Bosschaert II estimated at £100,000-£150,000 went to a private collector for £209,000. London trade snapped up a van Goyen last seen on the market in 1946. It sold for £198,000.

The bargain of the morning was the pair of elegant gold ground panels by Arcangelo di Cola da Camerino. They had been bought for $1.1m at Sotheby's, New York in 1990. Yesterday the vendor was prepared to sell them for £330,000.

The morning session totalled £5,286,600 with 55 per cent sold by value.

Susan Moore

Avignon Festival

YESTERDAY the barricades went up in Avignon. The ones in front of the Palais des Papes, that is, put there by the organisers of this year's Avignon Festival. They are to prevent members of the audience, who swarm in the square from 9 pm onwards, from entering the Cour d'Honneur of the Papal Palace until the last possible moment.

At about 9.40, when the sun has started to go down, one small entry-point appears and the crowd surges towards it. Squashed together like sardines, people eventually enter the precincts in single file to seek the sanctuary of a rickety seat in an auditorium roofed by the night-sky.

Appropriately enough it is a celebrated siege that is being enacted in one of the opening productions. This is the siege of Numantia in 134 BC, carried out by Scipio Africanus in fulfilment of the Roman Senate's *delenda est Carthago* policy.

According to your point of view, you can see this as either a great Roman victory or a feat of heroic resistance on the part of the inhabitants, comparable to that of the Jews at Masada.

As a Spanish patriot, Cervantes, whose dramatic re-creation of the ruthless operation is being presented, emphasises the valour of the Numantians. His plays have always been over-shadowed by *Don Quixote* and are often summarily dismissed as no more than "a little Senecan rhetoric" (Brenan).

It will be interesting to see whether this production by Robert Cantarella in the Cloister of the Carmelites, with a company drawn from all over France and a new translation of the text, will cause that rating to change.

Cervantes's great rival, the immensely industrious Lope de Vega, is the first author to occupy the Cour d'Honneur this year. His drama depicts an equally ruthless siege, but one of the heart – the heart of Dona Inès, taken captive by the eponymous *Chevalier of Olmedo*. The production is by the Catalonian director, Lluis Pasqual.

The work corresponds in Spanish theatrical tradition to our *Romeo and Juliet*, but instead of a nurse to console the heroine, there is a procuress to arrange assignations. A staging of a version of Calderón's *Life is a Dream* filtered through the mind of Pier Paso-lini will complete Avignon 92's tribute to the Golden Age of Spain.

On a more contemporary, but also predominantly Hispanic, note there is *Los Caminos de Frederico* again moulded by Pasqual – a recital in Spanish from Lorca. Georges Lavaudant's play *Terra Incognita* about his discovery of Mexico in 1985, is being staged out at Les Taillades, that pretty village 30 kilometers away from Avignon, put on the theatrical map by Peter Brook.

Two more voyage-of-discovery dramas are based on novels by J M G Le Clézio, *Le Livre des Fuites* and *Pawana*. And to end this survey of some of the main attractions, the Don Juan legend will be the theme of a ballet by Jean-Claude Gallotta to be danced by artists from the Centre chorégraphique national de Grenoble.

Anthony Curtis

TELEVISION

SATURDAY

BBC1

6.35 Open University. 7.25 News. 7.30 Hallo Spencer. 7.50 Babar. 8.15 The Jetsons. 8.35 Round the Twist. 9.00 Parallel 9. 10.42 Weather.

10.45 Grandstand. Introduced by Steve Rider from Silverstone. Including at 10.50 Cricket: Kent v Hampshire. The Benson and Hedges Cup Final from Lord's. 1.15 News. 1.20 Motor Racing: Final practice for tomorrow's British Grand Prix at Silverstone. 2.05 Racing from Lingfield Park: At 2.10 The Bet with The Tote Nursery Handicap Stakes. 2.15 Cricket. 2.35 Racing: At 2.40 The Calor Silver Trophy. 2.45 Cricket. 3.05 Golf: Final round of the Scottish Open at Gleneagles. 3.35 Racing: At 3.40 The Ladbroke All Weather Handicap. 3.45 Golf. 4.55 Motor Racing. Times may vary.

5.10 News.

5.20 Regional News and Sport.

5.25 Some Mothers Do 'Ave 'Em.

6.00 The Brittas Empire.

6.30 That's Showbusiness.

7.00 Keeping Up Appearances.

7.30 Growing Pains. Tom feels the strain of looking after four teenagers. As the family celebrates foster son Jason's birthday, his mother returns, determined to have him back. Ray Brooks, Sharon Duce and Sean Maguire star.

8.20 Casualty. Beth (Mamta Kaash) is interviewed for a GP's job and social worker Trish feels it's time to move on. Two elderly men come to blows over prize-winning leaks, and a young boy finds the key to his father's gun cabinet – with tragic results.

9.10 News and Sport; Weather.

9.30 That's Life! Reporting on an unfortunate legal loophole, revealed by the tragic death of a three-year-old boy. Plus, a report on a new 'slimming' tea and updates of this year's campaigns. There's a reunion of the Search for A Star competitors, while Doc Cox poses as Queen Elizabeth I at Woburn Abbey in an attempt to 'get Britain singing'.

10.10 Film: Runaway. Tom Selleck plays a policeman who tracks down renegade robots. Futuristic *comic-book adventure* (1984).

11.50 Film: Secrets of a Married Man. A man jeopardises his happy marriage when he develops a compulsive desire for prostitutes. Drama, starring William Shatner and Cybill Shepherd (TVM 1984).

1.20 Weather.

1.25 Close.

BBC2

6.40 Open University. 10.50 Holiday Outings. 11.00 Tosca: Act One.

12.05 Open University.

3.00 Cricket: The Benson and Hedges Cup Final. Hampshire v Kent. Tony Lewis introduces live coverage from Lord's of this 55-overs-*per-side match*. Commentary by Richie Benaud, Jack Bannister and Simon Hughes.

7.35 News and Sport; Weather.

7.50 Columbus and the Age of Discovery. Mauricio Obregon explores how Columbus developed a bold plan to sail West and reach the riches of the Orient, but then spent eight years searching for financial backing from the monarchs of Portugal and Spain.

8.40 Tosca: Act Two. Continuing the performance of Puccini's opera direct from Rome, set in the precise locations and at the times of day specified in the libretto. Act Two takes place in the Farnese Palace. Starring Placido Domingo and Catherine Malfitano.

9.30 Rhythms of the World. During the summer of 1991, Peter Gabriel's Real World recording studios played host to over 70 musicians and record producers from around the world, including Sinead O'Connor, Karl Wallinger (of World Party) and Pol Brennan from Clannad. The end product was eight albums recorded in seven days.

10.25 Teenage Diaries. Video diary following 15-year-old boxing champion Ben May from Peckham, London. Already the British ABA champion at his weight, Ben prepares to go for his second national title.

11.15 Film: Play It Again, Sam. Comedy, starring Woody Allen and Diane Keaton. A neurotic film critic woos his best friend's wife with the help of Humphrey Bogart's ghost (1972).

12.40 Cricket: The Benson and Hedges Cup Final. Hampshire v Kent. Highlights from Lord's, presented by Tony Lewis.

1.30 Golf: The Scottish Open. Dougie Donnelly introduces highlights of today's final round from Gleneagles.

2.15 Close.

LWT

6.00 TV-am. 9.25 Film: Kidnapped. 11.05 The Smurfs. 11.30 The Mountain Bike Show. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.

1.05 LWT News; Weather.

1.10 The Day.

1.20 Cartoon Time.

1.30 Film: McCloud: The Man with the Golden Hat. Marshal Sam McCloud takes on another case in this made-for-TV crime thriller. The theft of Sam's hat sets him on the trail of a million dollar conspiracy. Starring Dennis Weaver.

3.15 Starting from Scratch. Helen's parents come for a visit. Her father arrives early – but not with his wife.

3.45 Katie and Dog.

4.15 WCW Worldwide Wrestling.

5.00 ITN News; Weather.

5.05 LWT News; Weather.

5.15 Beverly Hills 90210.

6.05 Bob's Your Uncle.

6.50 Catchphrase.

7.20 Father Dowling Investigates. The crime-solving priest takes a walk on the wild side of Los Angeles night life when he and Sister Steve pursue a teenage runaway. Starring Tom Bosley and Tracy Nelson.

8.10 Sam Saturday. Sam investigates a particularly brutal assault on a young Jewish boy, viciously beaten in a gang attack. But his problems extend beyond the streets when his ex-wife announces she is pregnant.

9.10 Tarrant on TV. Following hard on the heels of the recent UN Earth Summit, Chris Tarrant takes a sceptical look at some of the bizarre ways in which the world's comedy writers believe the planet can be saved.

10.10 Tom Jones: The Right Time. In the final programme of the series, Stevie Wonder joins Tom to sing some of his greatest hits, including Superstition. Plus, American vocal group True Image.

10.40 ITN News; Weather.

10.55 LWT Weather.

11.00 Wolf.

11.55 Get Stuffed.

12.00 The Big E.

1.05 Get Stuffed.

1.10 Music from the Bridge.

1.35 Bhangra Beat.

2.05 New Music.

3.10 Indy Car Racing.

4.10 Get Stuffed.

4.15 The Hitman and Her.

CHANNEL4

6.00 Early Morning. 10.00 Sign On: Deaf World. 10.30 Film: Lazybones. 11.40 The Three Stooges. 12.00 Get Smart. 12.30 pm The Beverly Hillbillies.

1.00 Film: Guadalcanal Diary. World War Two marines fight for a vital Pacific base. With Preston Foster, Lloyd Nolan and Anthony Quinn (1943).

2.40 Ozzie Nelson and his Orchestra. Ozzie and the boys perform Chinatown My Chinatown and Central Avenue Shuffle.

3.00 Racing from York and The Curragh. Including from York at 3.10 The John Smith's Bitter Handicap, from The Curragh the 3.20 Kildangan Stud Irish Oaks, from York the 3.40 Foster's Silver Cup Stakes, 4.15 John Smith's Magnet Cup (H'cap), and 4.45 Webster's Green Label Handicap Stakes.

5.05 Brookside.

6.30 *Tour De France. Stage Seven:* Brussels to Valkenburg, 180km. Paul Sherwen and Gary Imlach present the latest chapter in cycling's premier event; News.

7.00 The Big Picture Show. Second of the three-part current affairs show investigates traffic congestion. Mary Ann Sieghart examines why government legislation is biased in favour of road transport and Stephen Joseph assesses the price the environment pays for a system which continues to damage the world.

8.00 Kingdom of the Plains. Cindy Buxton searches for the shoebill – one of the world's strangest birds. She tracks the creature into the deepest tropical swamps of Africa to provide the first complete picture of this fascinating animal.

9.00 GBH. Re-run of Alan Bleasdale's award-winning drama. The mysterious Barbara Douglas shows some romantic interest in council leader Michael Murray. Jim Nelson gets ready for his family holiday, unprepared for the news he is about to receive. Robert Lindsay, Michael Palin and Lindsay Duncan star.

10.35 *Film: Les Quatre Cents Coups.* Francois Truffaut's award-winning portrayal of childhood, following the experiences of a 12-year-old Parisian boy. With Jean-Pierre Leaud and Claire Maurier (1958).

12.25 The Twilight Zone.

1.20 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 11.05 Disney Cartoons. 1.05 Anglia News. 1.10 Starting from Scratch. 1.40 Chequered Flag. 2.10 Cartoon Time. 2.25 George and Mildred. 5.03 Anglia News and Sport 11.00 Beauty and the Beast.

BORDER: *11.05 Disney Cartoons. 1.05 Border News.* 1.10 Chequered Flag. 1.40 Father Came Too. (1963) 3.25 CU4. 3.35 The A-Team. 4.30 Only Joking. 5.05 Border News. 11.00 Desperado

CENTRAL: 11.05 The Trap Door. 11.30 Zorro. 1.05 Central News 1.10 Chequered Flag 1.40 Cartoon Time. 1.50 The 7th Dawn. 4.10 *WCW Worldwide Wrestling.* 5.05 Central News 11.00 The Survivor.

CHANNEL: 11.05 The Trap Door 11.30 Blockbusters. 1.05 Diary Dates. 1.10 *Motorsport Special.* 1.40 The Chairman. (1969) 3.25 Will Any Gentleman? (1953) 5.05 Channel News. 5.10 Puffin's Pla(i)ce.

GRAMPIAN: 11.05 Disney Cartoons 1.05 Grampian Headlines. 1.10 Chequered Flag 1.40 Sealll 2.10 Doctor in Love. (1960) 4.10 WCW Worldwide Wrestling. *5.05 Grampian Headlines.* 5.10 Criomagan. 11.00 Desperado.

GRANADA: 11.05 Disney Cartoons. 11.30 This is America, Charlie Brown. 1.05 Granada News 1.10 The Life and Times of Grizzly Adams. 2.05 The Captain 4.00 Superstars of Wrestling 4.40 Rock Sport. 5.05 Granada News 11.00 Desperado.

HTV: 11.05 Disney Cartoons. 11.30 Zorro 1.05 HTV News. 1.10 Dogs with Dunbar. 1.40 Golf: US PGA 1992. 2.40 Chequered Flag. 3.10 My Teenage Daughter. (1956) 5.05 HTV News

SCOTTISH: 11.05 Disney Cartoons. 11.30 Dinosaurs. 1.05 Scotland Today. 1.10 Starting from Scratch. 1.40 Seall! 2.10 Once a Hero. (TVM 1987) 3.35 Backstage 3.40 McCloud. (TVM 1973) 5.05 Scotland Today. 11.00 Grandview USA. (1984)

TSW: 11.05 Disney Cartoons. 11.30 The South West Week. 1.05 TSW News. 1.10 This is America, Charlie Brown. 1.40 World of the Sea Otter. 2.10 The Best and Worst of Sport. 3.10 Bless This House. 5.05 TSW News. 11.00 Desperado.

TVS: 11.05 The Trap Door. 11.30 Blockbusters. 1.05 TVS News. 1.10 Motorsport Special. 1.40 The Chairman. (1969) 3.25 Will Any Gentleman? (1953) 5.05 TVS News.

TYNE TEES: 11.10 The Trap Door. 11.30 Superman. 1.05 Regional News. 1.10 Soccer in the Seventies. 1.40 The Magnificent Two. (1967) 3.30 Chequered Flag 4.00 Superstars of Wrestling 4.40 Rock Sport. 5.05 Northern Life. 11.00 Desperado.

ULSTER: 11.05 Disney Cartoons. 11.30 Zorro 1.05 Ulster Newstime 1.10 Trailblazers. 1.40 Wrestling. 2.20 The Prince and the Pauper. (1962) 4.30 Only Joking. 5.05 Ulster Newstime 10.55 Ulster News and Sport 11.00 Desperado.

YORKSHIRE: 11.05 Disney Cartoons. 11.30 Superman. 1.05 Calendar News. 1.10 The World Cup Triathlon. 2.10 The A-Team. 3.05 Hannibal. (1959) 5.05 Calendar News. 11.00 Billion Dollar Brain.

SUNDAY

BBC1

6.45 Open University. 8.50 Playdays. 9.10 News. 9.15 Morning Worship. 10.00 Sign Extra. 10.30 Great Expectations. 11.00 Bazaar. 11.25 Experiment! 11.30 Llangollen '92.

12.05 The Flintstones. Cartoon.

12.30 CountryFile. John Withington reports on the fight to stop a dual carriageway being built across the Naseby battlefield; **Weather for the Week Ahead.**

12.55 News.

1.00 On the Record. Political analysis *with* Jonathan Dimbleby.

2.00 EastEnders.

3.00 *Eldorado.*

3.30 Film: 84 Charing Cross Road. A woman from New York conducts a long correspondence with an antiquarian bookseller in London. Anne Bancroft and Anthony Hopkins star (1987).

5.05 Biteback. Julian Pettifer hosts the right-to-reply show which looks at viewers' criticism of Gardeners' World and EastEnders.

5.50 Masterchef 1992. Contestants compete in the last semi-final, with guest judges chef Andrew Little and Sunday Times editor Andrew Neil. Hosted by Loyd Grossman.

6.25 News.

6.40 Titchmarsh on Song. *Alan Titchmarsh* enters the world of electronic songs of praise. Cliff Richard, Mary O'Hara, the London Community Gospel Choir and the Ambrosian Singers are among the guests.

7.15 Strathblair.

8.05 Shadows of the Heart. First of a two-part Australian drama. Dr Kate Munrow (Josephine Byrnes) arrives on a remote island to introduce modern medicine to the locals – and is swept off her feet by a handsome and wealthy landowner. Featuring Jason Donovan.

9.40 News and Weather.

9.55 Porridge.

10.25 Heart of the Matter. Joan Bakewell examines the work of evangelical counsellors who offer homosexual Christians the chance of altering their ways. But is such therapy healing or harmful?

11.00 Knight and Daye.

11.25 The Perfect English Village. Nigel Farrell sets out to find an idyllic town, away from the noise, pollution and traffic congestion of London.

12.20 Weather.

12.25 Close.

BBC2

6.00 Tosca: Act Three. 8.35 Open University. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Steve Rider from Silverstone. Including at 12.30 Motor Racing: An in-depth look at the world of Formula One. 2.00 Motor Racing: The British Grand Prix. Live coverage of the whole race from Silverstone. Commentary by Murray Walker and James Hunt. 3.50 *Motor Racing: Formula Three Championship.* 4.30 Athletics: Assessing the British team's Olympic medal hopes, with profiles of team captains Linford *Christie and Sally Gunnell. 4.50* Yachting: Profiling the British Olympic team. 5.20 Golf: Previewing the 121st British Open. Times may vary.

5.45 Film: Watership Down. Animated adaptation of the book by Richard Adams. A group of rabbits face the threats of the human world. With the chart-topping theme song by Art Garfunkel (1978).

7.15 Life on Earth. David Attenborough looks back nearly 200 million years to discover how and why ancient reptiles changed into mammals. He explores the South American origins of marsupials and their colonisation of Australia.

8.10 A Day Out. The first play in the Alan Bennett season, directed by Stephen Frears. Set in a Northern mill town in 1911, a local cycling club leaves the smog behind and goes off to the country for its customary outing. Starring Brian Glover, James Cossins and Paul Shane.

9.05 British Grand Prix. From Silverstone. A look back at today's race with commentary by Murray Walker and James Hunt.

9.40 Film: Escape from New York. Futuristic adventure, starring Kurt Russell, Lee Van Cleef and Ernest Borgnine. It's 1997, and Manhattan Island has been turned into a vast security prison. Directed by John Carpenter (1981).

11.20 Night Stalker. Fearless journalist Carl Kolchak investigates the blood-curdling case of a 500-year-old Aztec mummy resuming the ancient practice of sacrificial rites. Starring Darren McGavin.

12.15 Close.

LWT

6.00 TV-am. 9.25 Disney's Track of the Snow Bear. 10.15 The Littlest Hobo. 10.45 Link. 11.00 Morning Worship. 12.00 The White Friars. 12.30 pm The Entertainers.

1.00 ITN News; Weather.

1.05 The Day.

1.10 LWT News; Weather.

1.15 Euro Auto Challenge. Drivers take on the challenge of motoring to every country in the EC without stopping.

1.50 Stuntmasters.

2.40 Film: The Hindenburg. In 1937, sabotage causes the famous airship to crash on arrival at New York. George C Scott, Anne Ban*croft and Burgess Meredith star* (1975).

4.50 Film: Next to No Time. Kenneth More stars as a mild-mannered engineer who goes wild on an ocean voyage (1958).

6.30 ITN News; Weather.

6.35 LWT News; Weather.

6.40 Appeal on behalf of The British Sports Association for the Disabled.

6.45 People Get Ready. Juliet Coley is joined on the gospel *music* show by five-times Grammy-winner Larnelle Harris and the London Adventist Chorale. Last in series.

7.15 The Richard and Judy Show. Husband-and-wife team Richard Madeley and Judy Finnigan present a live topical mix of showbusiness, human interest and entertainment news.

7.45 Watching.

8.15 Second Thoughts.

8.45 Only the Good Die Young. Thriller, starring Jaclyn Smith as Harvard law graduate Christine Cromwell, investigating the accidental deaths of two long-time friends.

10.30 Frankie's On – Call. Frankie Howerd entertains an audience of doctors and nurses at the Queens *Medical Centre in Nottingham.*

11.00 ITN News; Weather.

11.15 LWT Weather; The Day.

11.20 Richard Digance's Greatest Bits. The East End raconteur re-writes part of the Bible in a poetic tribute to Noah's ark in this recording from the Brighton Dome.

12.20 Cue the Music.

1.25 The ITV Chart Show.

2.25 Film: Mr Klein. A prosperous antiques dealer is mistaken for a mysterious Jew of the same name. Starring Alain Delon and Jeanne Moreau (1976).

4.35 Pick of the Week.

5.05 Soap.

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan (English subtitles). 10.00 Talking Liberties. 10.45 Dennis. 11.00 Owl TV. 11.30 Flipper. 12.00 Little House on the Prairie.

1.00 Voyage to the Bottom of the Sea.

2.00 Film: June Bride. Bette Davis and Robert Montgomery star in a romantic farce about two bickering reporters who are sent to cover a small-town wedding (1948).

3.45 Rooty Toot Toot. Animation.

3.55 Going for Gold. First of three documentaries which focus on the intense worldwide competition to host the 1992 Olympic Games. Birmingham was put forward as Britain's venue, but was knocked off the shortlist by Barcelona.

4.55 News Summary.

5.00 American Chronicles. Richard Dreyfuss narrates this profile of Playboy publisher Hugh Hefner, who turned the male fantasy of the pin-up girl into a lucrative business.

6.30 Tour De France. Stage Eight: Valkenburg to Koblenz, 180km. Phil Liggett introduces the day's events.

6.30 The Cosby Show.

7.00 Invisible Enemies. New series. Four-part documentary examining the relationship between history, destiny and disease, which begins by exploring the rise to prominence of new epidemics such as Aids. Are some disorders made worse by medical jargon and media hype?

8.00 Europe Express. European current affairs magazine. Isabella Stasi Castriota reports from France, the first country in the EC to make sexual harassment at work an offence. Stefan Rybar travels to Bulgaria to discover how the art treasures of Bulgaria *are leaving the country at* extraordinary speed. Klaus Schwagrzinna explores a loophole in Holland's cannabis laws.

8.30 Tosca. Placido Domingo stars in a performance of Puccini's opera from Rome. The all-star cast includes Catherine Malfitano and Ruggero Raimondi, with Zubin Mehta conducting the Sinfonia E Coro Della Rai Di Roma. Shown this weekend on BBC2.

11.05 Film: Lola. A small-time cabaret dancer (Anouk Aimee) in Nantes chooses between three men (1960).

12.40 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 9.25 Disney's Track of the Giant Snowbear. 12.25 Countrywide. 12.55 Anglia News. 1.10 The Royal Show. 1.40 Cartoon Time. 2.00 Stunt Masters. 2.55 The Towering Inferno. 6.00 Secret Coastline. 6.35 Anglia News.

BORDER: 9.25 Disney's Track of the Giant Snowbear. 12.30 Gardening Time. 12.55 Border News. 1.10 55 Days at Peking. 4.00 Animal Country. 4.30 Carry on Constable. 6.00 Dogs with Dunbar.

CENTRAL: 9.25 Disney's Track of the Giant Snowbear. 10.20 Heidi. 12.30 Gardening Time. 12.55 Central News 1.10 Lost in London. 4.50 The Magic of David Copperfield. 5.45 Candid Camera Classics. 6.35 Central News.

CHANNEL: 9.25 Disney's Track of the Giant Snowbear. 12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornel. 1.10 The Cricket in Times Square. 1.40 Cartoon. 4.50 Cartoon. 5.00 The Royal Show. 5.30 House Style. 6.00 Tell the Truth. 6.35 Channel News.

GRAMPIAN: 9.25 Disney's Track of the Giant Snowbear. 12.30 Jack Thompson Down Under. 12.55 Grampian Headlines. 1.10 Jerusalem – of Heaven and Earth 1.40 Glasgow Subway. 2.45 Nicholas and Alexandra. 6.00 The Way it Was.

GRANADA: 9.25 Disney's Mickey and Donald Kidding Around. 10.20 Heidi. 12.25 The Making of Dances with Wolves. 12.55 Granada News 1.10 55 Days at Peking. 4.00 The A-Team. 5.00 Granada Action with the A Team. 5.30 Coronation *Street. 6.35 Granada News*

HTV: 9.25 Disney's Track of the Giant Snowbear. 12.30 West Country Farming. 12.55 HTV News. 1.10 The Royal Show. 1.40 Press Your Luck. 2.10 Carry on Nurse. 4.05 The Welsh Games. 5.35 International Triathlon. 6.35 HTV News.

SCOTTISH: 9.25 The Spaniard's Curse. 12.30 Scotland's War 12.55 Scotland Today. 1.10 Davy Crockett. 2.05 Cartoon. 2.10 Satan Never Sleeps. 4.30 International Triathlon. 5.30 Bullseye. 6.00 The Royal Show. 6.35 Scotland Today

TSW: 9.25 Disney's Track of the Giant Snowbear. 12.00 The White Friars. 12.30 TSW Farming Week. 12.55 TSW News. 1.10 55 Days at Peking. 4.00 Gus Honeybun's Magic Birthdays. 4.05 The Life and Times of Grizzly Adams. 5.00 All Islands to Starboard. 6.00 The Mountain Bike Show 6.35 TSW News

TVS: 9.25 Disney's Track of the Giant Snowbear. 12.30 TVS News. 12.33 Agenda 12.58 TVS Weather. 1.10 The Cricket in Times Square. 1.40 Cartoon. 5.00 The Royal Show. 5.30 House Style. 6.00 Tell the Truth. 6.35 TVS News.

TYNE TEES: 9.25 Disney's Track of the Giant Snowbear. 12.25 Earthmovers. 12.55 Regional News 1.10 Guys and Dolls. (1955) 3.55 Highway to Heaven. 5.00 Floods of Fear. (1958) 6.35 Regional News.

YORKSHIRE: 9.25 The Flying Deuces. (1939) 10.35 Cartoon Time. 12.25 Nawrang. 12.55 Calendar News. 1.10 Cartoon Time. 1.20 New Candid Camera. 1.50 Highway to Heaven. 4.50 Zorro. The Gay Blade. (1981) 6.35 Calendar News.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Mark Wynter. 1.00 The Men from the Ministry.
1.30 Jimmy's Cricket Team. 2.00 Ronnie Hilton. 3.00 Steve Race.
4.00 Judith Chalmer's Hi Days and Holidays. 5.00 Cinema 2. 5.30 Music By – John Williams. 6.00 Katie and Friends. 7.00 Beat the Record.
7.30 Music from the Movies. 9.30 Easy Does It. 10.30 The Arts Programme. 12.30 Night Ride. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather and News Headlines.
7.00 Morning Concert.
9.00 Record Release.
10.55 Cricket Special.
7.30 Harmoniemusik.
8.00 Spirit of the Earth.
10.00 Adventures on the Grand Tour.
10.15 Mozart and Brahms Sonatas.
11.15 Jazz Record Requests.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 On the Hour.
10.30 The Marx Brothers' Flywheel, Shyster and Flywheel.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Inside Money.
12.25 They Think It's All Over.
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Saturday Playhouse.
4.00 Age to Age.
4.30 Science Now.
5.00 Costing the Earth.
5.25 Grand Tour: San Francisco.
6.00 News and Sports Round-up.
6.25 Little Blighty on the Down.
6.50 Stop the Week.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Writers Revealed.
9.20 Music in the Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Open Mind.
10.45 Life with Lederer.
11.00 Tingle Factor.
11.30 First Love.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 Newshour.
6.30 Saturday Edition.
9.00 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Summer Sport on Five.
8.00 Le Top.
9.00 Afropop Worldwide.
10.00 Sports Bulletin.
10.30 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People And Politics.
9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. *10.30 Personal* View. 10.45 Sports Roundup. 11.00 News Summary; Jazz Now and Then. 11.15 Club 648. 11.30 Londres Midi.
11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News; News About Britain. 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour.
3.00 News Summary. 3.01 Sportsworld. 4.00 News. 4.15 BBC English. 4.30 News in German. 4.40 German Features. 5.00 News; Travel news; BBC English. 5.30 Londres Soir. 6.14 Letter From America.
6.29 News Summary. 6.30 Heute Aktuell. 7.00 German Features. 7.54 News in German. 8.00 Counterpoint. 8.30 Europe This Weekend. *9.00 News; Personal View; Words of Faith.* 9.30 Meridian.
10.00 Newshour. 11.00 News; News About Britain. 11.15 Jazz For The Asking. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 Play Of The Week: The Faith Healer.
3.00 Newsdesk. 3.30 Twin Track. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 Business Review. 4.45 News and Press Review in *German.*

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Young Musician 1992. 5.00 Charlie Chester.
7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Mark Wynter. 1.00 Charles Nove. 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Morning Concert.
9.00 French Suites.
10.15 Music Weekly.
11.00 Ozawa and the BSO.
12.35 Chopin.
1.00 News.
1.05 Your Concert Choice.
2.30 Susan Kessler.
3.25 Wand Conducts Bruckner.
5.00 Soundings.
6.00 Good Lord, Deliver Us.
7.00 Cheltenham Festival 1992.
8.50 Sunday Play.
9.50 Spirit of the Earth.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Oliver Sacks.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World this Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Dust Devils.
5.00 Coastline.
5.40 Smith in Shining Armour.
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Europhile.
7.00 Your Place or Mine.
7.30 A Good Read.
8.00 Searching the Ashes.
9.00 Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Posters of Montmartre.
11.00 The Board Game.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
8.00 World Service: Newshour.
7.00 Waterlines.
7.30 Summer Sundae.
8.30 Last in the Present Series.
9.00 Mark Curry.
10.30 A Family Learns Spanish.
11.00 Anna Goes to the Seaside.
11.30 Ring a Winner.
12.40 Open Forum.
1.00 Sunday Sport.
6.15 The Olympic Years.
7.10 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain. 7.15 Letter From America. 7.30 Jazz For The Asking.
8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On 9.00 News; Words of Faith: Classics with Kay. 10.00 News; Business Review; Short Story: Long-Distance Runner. 10.30 Folk in Britain.
10.45 Sports Roundup 11.00 News Summary. Science in *Action 11.30 Londres Midi.*
11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Play of the Week: The Faith Healer 2.00 Newshour 3.00 News Summary. 3.01 The Italian Renaissance. 3.30 Anything Goes.
4.00 News 4.15 BBC English. 4.30 News in German: German Features 5.00 News: Travel news. 5.15 BBC English. 5.30 Londres Soir. 6.14 Club 648
6.29 News Summary: News in German. 6.40 German Features. 7.54 News in German. 8.00 The Musician's Musician.
8.30 Europe Tonight 9.00 News; Folk in Britain. 9.25 Words Of Faith. 9.30 Brain of Britain. 10.00 Newshour. 11.00 News; News About Britain; Short Story: Long-Distance Runner.
11.30 Letter From America. 11.45 Sports Roundup. 12.00 News, Business Review.
12.15 Classics with Kay. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary. 2.01 Opera of the Week. 2.45 Rites of Man. 3.00 Newsdesk. 3.30 Composer Of The Month: Les Six.
4.00 News: Words Of Faith. 4.15 Sports Roundup. 4.30 The Week Ahead, Travel. 4.45 News and Press Review *in German.*

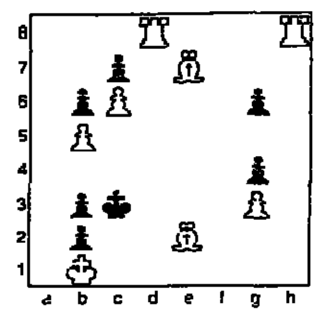
CHESS

MIKHAIL TAL, the most brilliant and gifted chess player of his time, died in Moscow on 28 June aged 55. He had been in poor health for some years with kidney disease, but his tactical skills shone to the end. He beat Gary Kasparov in his final tournament, a Moscow quickplay a month before his death; this week's game is from his last open.

Tal became the youngest ever world champion at 23 when he won the title from Mikhail Botvinnik in 1960. Though he lost the title Botvinnik it a year later, he transformed chess by his complex openings, fantasy and daring attacks. Chivalrous and witty, he was both a public favourite and a true genius (Juan Gomez, Spain, White; Mikhail Tal, Latvia, Black; Queen's Gambit; Seville 1992).

1 d4 d5 2 c4 c6 3 Nc3 Nf6 4 Nf3 e6 5 Bg5 h6 6 Bxf6 Qxf6 7 **Qb3** White wants to advance e4 dxe4 Nxe4 while preventing Bb4+. a5 8 a3 a4 9 Qa2? Black's a4 pawn now fixes the white Q-side, which becomes significant later. Best is 9 Nxa4 dxc4 10 Qc2 planning g3, Bg2 and e4. Nd7 10 e4 dxe4 11 Nxe4 Qf4 12 Bd3 e5 13 0-0 exd4 14 *Nxd4 Be7 15 Nf5 Ne5 16 Nfd6+* Bxd6 17 Nxd6+ Ke7 18 Nxc8+ Rfxc8 19 Rae1 Kf8 20 Re4 Qf6 21 Be2 Nd7 22 Qb1 Re8 23 Rd1 Nc5 24 Rxe8+ Rxe8 25 Qc2 h5 26 g3 h4 27 Bf1 Qf3 28 Rd4 Ne4 29 Bg2 Ng5! A touch of vintage Tal: if 30 Bxf3 Re1+ 31 Kg2 h3 mate, but the real aim is a won ending. 30 Rxh4 Re2 31 Rh8+ Ke7 32 Bxf3 Rxc2 33 Kg2 Rxb2 34 Rb8 Kd6 35 Bd1 Ne4! 36 Bxa4 Nc3 37 Ra8 and White lost on time. Tal's next move would be b5 winning the bishop and the game.

CHESS No 931



White mates in three moves, against any defence (by F Giegold, 1975). Black has only one legal defence, but solvers have to find an obscure key. *Solution Page XVIII*

Leonard Barden

BRIDGE

My hand today comes from teams-of-four. Here is No Time for Finesse:

N
♠ 8 2
♥ 6 3
♦ Q 10 8 4
♣ J 10 6 5 2

W
♠ K J 7 5 4
♥ Q 9 5
♦ 9 3
♣ K 8 3

E
♠ Q 9 6
♥ 10 8 7 4 2
♦ 7 6 2
♣ 9 7

S
♠ A 10 3
♥ A K J
♦ A K J 5
♣ A Q 4

South was dealer with both sides vulnerable, and started the bidding with two clubs, then rebid three no trumps *after* North's expected reply of two diamonds. This concluded the auction.

West opened with the five of spades, and the declarer held up his ace until the third round. He then cashed ace and king of diamonds, and overtook his knave with the queen in dummy, West dropping a club. Returning a club, he finessed the queen. West took, and defeated the contract with two spade winners.

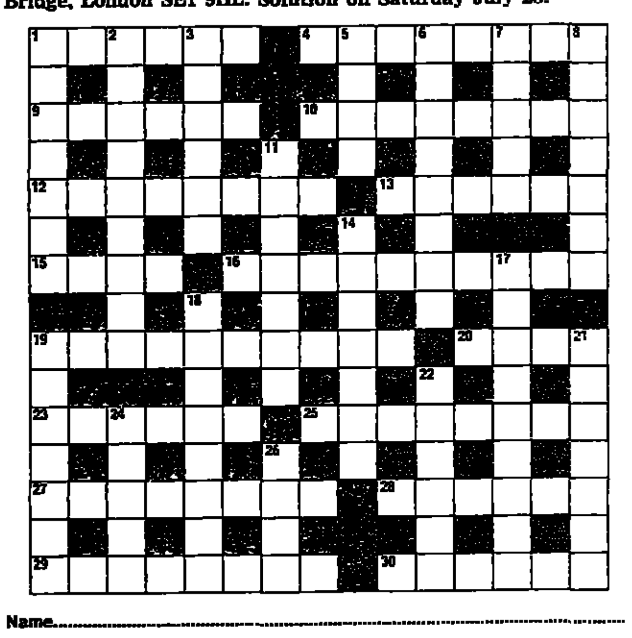
In the other room South, in the same contract after identical bidding, and against the same opening lead, showed far superior technique. The Rule of 11 told him that West could not hold more than five spades, for East surely held three cards higher than the five. He won the second spade with his ace, cashed the ace and king of diamonds – he could not afford a third round – and threw West in with the spade 10. West cashed his two other spades, on which South discarded club five and diamond knave – now you see why South could not afford a third round – and West was securely endplayed. He had no diamonds. The declarer had to assume that he had only two, and the fall of his nine made this likely. West was faced with Hobson's Choice. Either a club or a heart return was fatal, for each ran into the declarer's tenace.

E P C Cotter

CROSSWORD

No. 7,896 Set by CINEPHILE

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday July 22, marked Crossword 7,896 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 25.



Name..........

Address..........

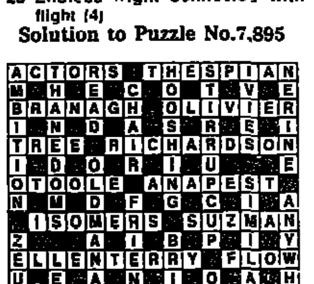
ACROSS

1 Scottish sweetheart has one made by Wedgwood (6)
4 Standing on her own feet, she fell off with pressure (4-4)
9 Capital reversal for Henry VIII's wife, the fourth (6)
10 Tit for tat puts theatre off rails (8)
12 Awakening for sluggard from linesman not on the ball? (4,4)
13 Racist society keeping back bullock's horn (6)
15 Take boy to station (4)
16 Large amount, 100 or otherwise, in a coup (10)
19 Pattern of squares to indicate frontier post? (10)
20 Two letters like S? (4)
23 Work, partly academic, back from the start (2,4)
25 Wild orgy during storm or waterspout (8)
27 Fortunate having a new leader *that won't survive* (8)
28 Can she possibly make money? (6)
29 Suicide of World War I spy without spirit (8)
30 Parcel for boat costs a lot of money (6)

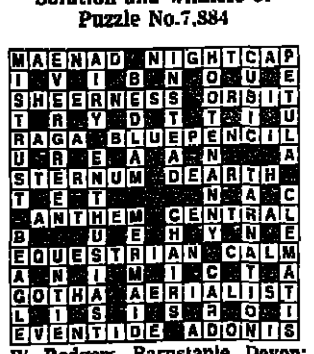
DOWN

1 Weapon of evil broken in short month (7)
2 Glass? Only if they are plural (9)
3 Plant from somewhere near Nicaragua (6)
5 Flat for two or four? (4)
6 Deposit among *religious* group that fall before temple (8)
7 Former partner to Bess who was beheaded (5)
8 Porridge stirred on plate (7)
11 Much of recess – short recess – may have an influence (7)
14 A liar exposed in Sanaa (7)
17 Baby ride – baby's first off horse (say), mounted in choice surroundings (9)
18 Fish to leave out for weight-lifter (8)

Solution to Puzzle No.7,895



Solution and winners of Puzzle No.7,884



W. Rodgers, Barnstaple, Devon; Mrs E. Haslewood, Alderley Edge, Cheshire; Sue Hurley, Felling, Tyne and Wear; C. Robinson, Feltham, Middlesex; J.C. Towle, Sale, Cheshire; D.R. Wood, Lothersdale, W. Yorkshire.

Snared in Andre's clever net

Dominic Lawson does not share the media indignation over Agassi's play-acting

ANDRE Agassi has caused great offence. Not for winning Wimbledon while festooned with jewellery from the ear downwards. Nor for wearing a shirt which didn't cover his distinctively furry navel. Nor for keeping his tennis hat firmly on his head even while he received the All England trophy from the Duchess of Kent (he must have reasoned that if she would not take the plaster cast off her broken ankle, he would not return the compliment). It is not even the fact that Agassi comes from Las Vegas which has caused great offence.

No, what has generated outrage is the revelation that he has engaged in a little play-acting. You might recall that after he won the final point of the match the American collapsed and then lay prostrate on the sacred turf in a display of apparently uncontrollable emotion.

It now appears that young Andre was very much in control of his emotions. The sports commentator of the *New York Post*, one Phil Mushnik, obtained a copy of video film of the match shot from a low camera at the side of the Centre Court. This apparently shows Agassi falling to his knees as his opponent netted on championship point and then looking directly up at his trainer, Nick Bollittieri. Bollittieri is to be seen, not cheering, but waving his arms frantically downwards, indicating that his young charge should move from the kneeling position to one more appropriate in a mosque.

Says Mushnik, this was "the million dollar reaction shot, the shot that was too good to be true was, quite literally, too good to be true".

And it is certainly true that Agassi's paroxysm of victorious ecstasy seemed to have enormous PR value, remaining tear-jerkingly vivid long after the public had forgotten everything else about the match.

The *New York Post* fumed that this little deception on the public was "so damning, so disgusting." The same attitude was taken by a number of newspapers in the UK, where the match was played. *Today* damningly and punningly referred to the incident as "a grand sham".

One can understand why the media seemed so outraged by this harmless piece of public relations. They felt manipulated, because it was they who fell for it, and then sold on to the public what they mistakenly thought to be the genuine article: real emotion, folks. But the newspapers and television had only themselves to blame.

I was struck throughout the championship by how much they strained to present the great event, not as sport, but as a soap opera, with the thrill of using "real people". So, instead of analyses of Monica Seles' tennis, we had endless stories about her not very gripping private life. The only aspect of her tennis that seemed worthy of detailed reporting was her grunting. Was Monica faking it? After each match the poor girl, under the terms of the tournament, had to face this absurd question from hordes of so-called sports writers. Even other, lesser players had to put up with inane questioning about their diet, their clothes, their hair styles. All to little point.

The sad fact is that professional tennis players are very dull people, because they eat, drink and breathe tennis. So competitive is the sport, they have little choice. This may not matter. It is more than likely that the only interesting thing about them is the thing they all have in common: that they have unusually good hand-eye co ordination, and can therefore hit a tennis ball with a consistency which eludes the rest of us.

Even if one were to stumble across a tennis player with a deeply fascinating world view, one could be sure that he would keep these personal thoughts well hidden from the crass types who thrust microphones and flash bulbs under their noses. Like all modern young celebrities they are sufficiently experienced in the ways of the media to know the safest thing is to invent a few trite insights into what passes for their character and repeat them parrot fashion to any journalist who crosses their path.

Andre Agassi is even shrewder. He knows that by dressing in such a provocative fashion he needs say nothing at all. The dazzling exterior is a more than adequate substitute for dazzling utterances. His victory roll, premediated or not, was an act in the same spirit. Let us not complain if he chooses to keep his soul, however exiguous, hidden from us.

■ *Dominic Lawson is editor of the Spectator*

Private View/**Christian Tyler**

A girl who got money and a room of her own

Anne Stotter realised as a child the importance of independence. She is now one of England's few women surgeons

"A WOMAN must have money and a room of her own." When she said that in 1928, Virginia Woolf was talking about writing novels. Anne Stotter says her prescription fits the profession of medicine just as well.

Miss Stotter is a doctor – not just any doctor but one of only 13 women consultant surgeons in England. She belongs to what is reputedly the toughest specialism, and the one with fewest female practitioners.

Miss Stotter earns a lot more than the £500 a year (£11,800 in today's money) that Virginia Woolf said would suffice when she addressed the young women of Newnham College, Cambridge. More to the point: Anne Stotter realised very young that money means independence.

Her father, a skilled but disillusioned printworker in Walthamstow, north-east London, never revealed how much he earned, kept his wife and six children on a tight leash yet seemed always to have spare cash himself.

"It was all very unfair," she said. "I think I was aware from very early on that control of my life was going to depend on having an income. I wasn't ever going to let someone say to me 'you cannot make these decisions because I hold the purse-strings.'"

Anne Stotter did not achieve a room of her own until, defying her father's prejudices and amazing the nuns at her convent school, she won a place at Newnham 40 years after Virginia Woolf's visit.

"I never had a room before that I could close the door on. At home there was rarely peace and quiet, or warmth. I vowed when I left home that I would find money to keep warm – and I never had chillblains again."

Virginia Woolf's essay, *A Room of One's Own*, based on talks to the girls of Newnham and Girton, is a beautifully-written, gentle and penetrating polemic. Why, she muses, do women not go into business or the Stock Exchange and endow Oxbridge colleges? Why do college men eat creamed Dover sole and roast partridge for lunch, when college women get gravy soup, boiled beef, yellowed sprouts, prunes and custard? And what happened to Shakespeare's sister?

She describes (or imagines) being warned off the grass of a men's college by a beadle and being turned away from a college library. So I asked Miss Stotter if medical men still defended their turf against women.

"Virginia Woolf nicely says that women cannot be doctors because they do not play football. There *are* still areas of protection but the worst of it has already passed. There are clubs you cannot go into." (She was talking before this week's vote by the Garrick Club to continue to exclude women). "They're not important, not to me anyway. What you miss out on is informal discussion of important issues while you pee. That's what you miss."

Miss Stotter is a frank person. She has, as she puts it, "a short, sharp, effective way with words". Despite that, and her prematurely grey hair, she did not strike me as the bossy matron type. On the contrary, she sometimes giggles like a girl.

"People assume that to have got where I am now I must be very competitive. But I'm actually a collaborator, not a competer by nature."

Do you behave differently with your male colleagues?

"Not because I'm a woman. I tend to speak succinctly. I could be a quiet, unassuming little flower but then I don't think I'd have become a surgeon in the first place. I'm actually quite self-conscious and quite shy. I don't like meeting new people. I'm awful at parties, for example, awful, awful."

Miss Stotter, whom I met in her room at Glenfield General Hospital, Leicester, is energetic as well as frank. "I like to do things," she said. Her idea of relaxation is to go skiing or to fly her expensive glider up a sheer Alpine escarpment.

"People always ask me if I have been discriminated against," she continued.

I wasn't going to ask you that, I replied, hypocritically.

"Well, I won't answer it then. But the short answer is No."

The longer answer, however, is that even if there is not overt discrimination there is certainly a non-malign bias.

For example, other doctors tend to assume she is the dietician. Patients are reluctant to believe that it is she who will be operating on them (and then are usually pleased). During a long, intensive training in Britain and the US she kept quiet about her interest in breast cancer for fear she would be taught little else. She felt obliged to conceal the fact that she had a social life and a boyfriend.

General practitioners tend still to refer to her patients with breast disease rather than other cases. "That's a problem, because one of the things I have to do is maintain an expertise that allows me to treat emergencies."

Such is the competition for surgical posts, she said, that no woman could ever prove she was turned down on grounds of her sex.

"Anyway, there is nothing to be gained even if I *had* felt I had been discriminated against. I hope I would have had more sense than to bleat about it because it would hardly have helped my cause, would it?"

I wanted to know about the men in her private life. I was thinking of Virginia Woolf's uncomfortable observation: "Women have served all these centuries as looking-glasses possessing the magic and delicious power of reflecting the figure of man at twice its natural size."

Miss Stotter was married once. It was towards the end of her undergraduate years and it was, she said, "a complete disaster."

As undergraduates, she and her husband had been on a par. "When we were married things changed, to my eyes, in a startling and dreadful way. Suddenly, because I was a wife it was my job to go to the supermarket, to get the money out of the bank, to do the cooking and cleaning.

"I spent quite a lot of time protesting at this. I could have said 'Bugger it, I'm not going to.' But I didn't, and the reason I didn't was because I had very firmly ingrained what my role should be in life, and that included the supermarket. The guilt of not being a proper wife was quite substantial: an important thing about women is that they suffer much more from guilt." She had chosen a man who was like her own father. (She loved her father, but felt relief when he died).

Did your husband resent your being so intelligent?

"He did worry about it. When we did our Finals I got my results before him and I got a First – and he would not speak to me for a week except to say that if he didn't get a First the relationship was at an end."

And what happened?

"He got a First." She giggled.

They never had children and Anne Stotter decided not to get married again, not even to her long-standing boyfriend. "There would only be disadvantages for me in being married. I happily live in sin and have for ages – not that there's much sin in it."

A surgeon needs domestic support. Few men even today will provide that, but Anne Stotter's man did. He gave up a job designing oil rigs. She keeps him and he looks after her.

"I think it takes immense character, immense self confidence and sanity to go against the grain. You can get beaten down by disapproval and people can say very offensive things. At our age they are mature enough to accept it, but if you tried it younger it would be very difficult."

I asked if medicine is neuter – or rather, androgynous, as Virginia Woolf said writing should be. Miss Stotter thinks it obvious that men and women are different but that it is impossible to determine whether the differences give one sex the advantage over the other. She just happens to have the rare sort of temperament which thrives on hard work and pressure and is good at deciding when, and whether, to cut.

"I think the fact I came from a working-class background in Walthamstow rather than from Cheltenham has more influence on how I treat patients than the fact that I'm a woman."

"It's incomprehensible to me how I came to be the way I am," she continued. She seemed moved. "Little things, like deciding at 15 to apply to Cambridge – it was an outrageous thing to do from my background and yet I did it and it turned out to be the beginning of a long chain of events which has brought me to where I am with a career that I like enormously, having left behind a huge number of hang-ups.

"I am more confident than I could ever have imagined myself becoming. I can't really work out how it happened. I am doing what I should be doing. I feel I am in the right place."

All without consciously striking a blow for women's emancipation?

"Yes. Because it felt the right thing for me to be doing as an individual. I must have an income, yes. I must have space of my own and it must be warm, yes. Those were the important things."

Lydia van der Meer

I spy with my little eye

Jimmy Burns uncovers a snoopers' corner in London's Belgravia

JOHN Major may have pledged to "sweep away some of the cobwebs of secrecy", but there still seem to be an awful lot of people around who think they are James Bond.

The opening of a shop in Lowndes Street in London's Belgravia called Spycatcher is the latest evidence of the spying epidemic that appears to be sweeping post cold-war Britain.

According to security industry sources, the use of surveillance and counter-surveillance equipment for private or business use is on the increase with the open marketing of devices which once would have been the preserve of professionals.

Spycatcher – rather more sophisticated than the gadgetry shops along the Tottenham Court Road – stocks everything from the tongue-in-cheek to the deadly serious, although according to Conrad Sandler, its managing director, only 10 per cent of its clients come in just for fun.

Into the tongue-in-cheek category slot a pair of "see-behind" sun glasses (£25), telephone voice-changers (man to woman or woman to man) at £150 as well as a range of "revenge and harassment books" which persecuted secretaries can give as Christmas presents.

More serious are state-of-the art bugging devices (including office-style personal organisers with miniature tapes) at £800 to £1,000, bullet and knife proof vests (£450-£1,000), "special" telephone recorders, and handset scramblers of use to both predator and potential victim.

Sandler gives away little about his own background or about the company's owners, and he suggests that not all equipment available is readily on display to the inquiring journalist. One suspects there is more than a touch of marketing ploy behind the apparent climate of secrecy.

He is certainly bullish when it comes to talking about the people he sells to. To that extent Spycatcher is as upfront as its namesake, Peter Wright, the British intelligence agent, who told us everything we are ever likely to know about M15 in a controversial bestseller.

Robert Maxwell, who bugged most of his directors and some of his enemies, was not one of Sandler's clients. But many other businessmen – usually acting through intermediaries – are.

"A hell of a lot of people bug their own companies," says Sandler, who describes himself as a former locksmith with years of experience in the security business. "Most of the clients we get come from the upper-middle to wealthy class. They are the ones who have the most to lose and who are the most worried about themselves. To worry about security you have to have something to lose, whether its your life or your possessions."

Spycatcher's client profile is broad. It ranges from paranoid marriage partners, to company executives who want one to keep one step ahead of the competition.

Sandler, who clearly enjoys his work, is ready to give examples as long as names are not mentioned. "We have some unusual clients... there was a woman in the other day who was quite convinced that someone had followed her all the way from Arizona to London just to fool about with her underwear. Another customer came in and wanted a watch that would enable him to listen to what his wife was up to in Abu Dhabi."

According to Sandler, one growing sector of clients comes under the heading "social". This is is the client who goes to a cocktail party and does not want to be seen taking notes between mouthfuls of canapés. A micro-recorder the size of a matchbox, neatly tucked into the inside pocket of a dinner jacket or inside a bra, ensures that the businessman or woman can pick up on that essential tip or even check on any personal indiscretion.

"Offensive" bugging devices like those on sale in a shop such as Spycatcher have been known to be used by a temporary absentee board member who wanted to know what his fellow directors were saying just before making an apparently "chance" entry.

Sandler remembers being approached by a gold dealer who suspected he had been undercut by his customer and wanted to intercept his telephone.

"I told him it would cost him £20,000. I would have helped him with the equipment if he'd paid the money upfront (which he didn't) although I told him that what he was trying to do would have been difficult lawfully," he recalled.

In fact one of the reasons that James Bonds are on the increase is that UK law is rather fuzzy when it comes to the use of equipment available through companies such as Spycatcher.

The Home Office said this week that the buying and selling of bugging devices which usually operate on UHF and VHF frequences was legal.

Theoretically, certain activities connected with the installation of bugging devices could lead to the user being prosecuted under Company Law, the Official Secrets Act, or Common Law.

The interception of other people's phones is also an offence under the Interception of Communications Act 1985 which makes it illegal to tap a phone without a warrant.

However, John Wadham, legal adviser to the National Council of Civil Liberties, says there are huge practical difficulties in implementing the law. He said: "Because the activities have become so secretive, they have become out of control."

Sandler insists that nothing he stocks is illegal but is not reassuring when he talks about the real James Bonds for whom the kind of equipment he displays in his shop window are of limited interest.

"Government intelligence agencies are now using much more sophisticated equipment than anything that is available on the open market. What is on sale commercially is what intelligence agencies were using ten years ago... there is no antidote against what they have now," says Sandler.

Jailing new women

Nigel Spivey

THE TIME has come for my annual inspection of Cosmopolitan magazine. I do this partly from nostalgia: there was a time when, surrounded by three teenage sisters, I counted myself well abreast of the Cosmopolitan world. But now consider it a man's duty to scan the journal once a year, if he has any solicitude for the opposite sex. "Smart women carry Cosmo" is the legend. There is no better index of what makes a smart woman tick these days.

I have July's issue before me. It is chunky and colourful and undeniably good value. Before one even approaches the printed matter, goodies spill from the pages. Two sachets of moisturiser have popped out of my copy, one of them rose-tinted. For a fellow whose face has been compared to stretches of Arctic tundra, it is a boon to have some rosy tints to hand. Gladdened by the gift, I turn to the first feature, which looks promisingly incisive. Its author is a penitent copywriter, and the thrust of his article is to deplore the stereotypes of women in advertising campaigns. "When women run ad agencies, we'll see real women doing real things in TV commercials as a matter of course."

This seems a worthy sentiment. And since Cosmopolitan is staffed mainly by women, one might look to the magazine for enlightenment in this area. The current issue, accordingly, has no truck with the diligent housewife, the capable matron, or the fastidious hostess.

HAWKS & HANDSAWS

Cosmo women are not repressed by such expectations. Cosmo women are out pedalling their bikes, swinging their briefcases, and extending their limbs on the sand. They wear stiletto heels. They drive small and snappy cars, usually scarlet. They cradle mobile phones in wine bars. They talk about Chippendales: perhaps the antique chairs, more likely the troupe of male exhibitionists. If they ever cook a meal, it must be one of those clever little elfin banquets Marks and Spencer do so nourishingly.

No one familiar with magazines for smart women will be surprised at the absence of aprons and frumpiness here. But the image is not entirely comforting to a man concerned with women's lot. What is most striking about the models used by Cosmopolitan is their homogeneity. The Cosmo species may be broadly summarised as a sort of stick insect, marinated in rich moisturisers and then barbecued on a tropical beach. One might be reminded of Proust's dictum, that pretty women are for men with no imagination. More alarmingly, one might suspect a vast conspiracy operating here. Most of the words and images in Cosmopolitan encourage women to shed their clothes, shed their surplus flesh, and sizzle in the sun. Admittedly, it is a summer number: but the myriad advertisements for skin toners, plastic surgery, surefire diets and depilation doubtless continue through the year. No wonder readers have been given a sample of moisturiser. They will need all the moisturiser they can get to replenish the sun's robbery of body fluids.

Smart Cosmo-oriented women do seem to have escaped the prison of domesticity. But they have signed themselves in for a new routine of confinement. It is a prison of perpetual dieting, overseen by an army of psychiatrists and experts in the laws of subcutaneous correctness, and upheld by a host of potionmongers and sunbed suppliers. The dereliction of the kitchen sink is no path to freedom if it leads straight into the trammels of endless aerobics and carrot salads.

The apparatus of images and half-baked advice in the magazine puts it in a weak position for being incisive about matters more serious than carrots. Not simply the feature about women in advertising: also the angry paragraph about the statistic that only 3 per cent of university professors are women, and the reprimand issued to the Daily Express for describing Virginia Bottomley as "blooming." "What about Michael Heseltine's hair? Norman Lamont's paunch?" demands Cosmopolitan. But Cosmo women are so tied up with restructuring their hips that they cannot possibly become professors; and the Cosmo advice to Norman, implicitly, is that he get down to a health farm and join the Chippendales.

I am not saying that Cosmopolitan treats its readers like pea-brained flappers. At least, while they are being barbecued, the stick insects are given plenty of reading to get on with. Among the bibliographic suggestions, ironically, is Thackeray's *Vanity Fair*.

But the main course in the promised "feast of summer fiction" is unacknowledged. It is, of course, the fiction of female emancipation.